JAL REPORT 2013

JAPAN AIRLINES

English Version

Fly into Tomorrow

JAL Group Corporate Policy

The JAL Group will:
Pursue the material and intellectual growth of all our employees;
Deliver unparalleled service to our customers; and
Increase corporate value and contribute to the betterment of society.

Contents



Editorial Policy	JAL Report 2013 was compiled using various referential guidelines as an integrated report on financial information and CSR activities, and is intended to promote understanding of the corporate value and growth prospects of the JAL Group.
Period Covered by the Report	In principle, the report covers activities for the period from April 2012 to March 2013 (FY2012).
Scope of the Report	JAL Group companies
Date of Publication	August 2013

This report includes photographs taken before design changes were made to the logo, uniform, etc.

Highlights

Major Financial Items

Japan Airlines Co., Ltd. Consolidated performance
FY2012 (Accounting date: March 31, 2013), FY2011

(Millions of yen)

	FY2011	FY2012
Operating Revenue	1,204,813	**1,238,839**
Operating Expense	999,890	**1,043,596**
Operating Profit	204,922	**195,242**
Ordinary Income	197,688	**185,863**
Net Income	186,616	**171,672**
Net Income Per Share (Yen)	1,029.03	**946.71**
Interest-bearing Debt	208,460	**160,145**
Shareholders' Equity	388,523	**565,048**
Net Assets	413,861	**583,189**
Total Assets	1,087,627	**1,216,612**
Shares Issued (Thousand shares)	181,352	**181,352**

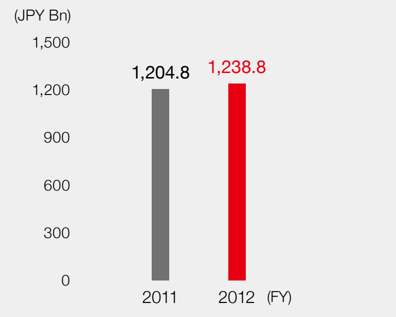
Traffic Results

Japan Airlines Co., Ltd. Consolidated performance
FY2012 (Accounting date: March 31, 2013), FY2011

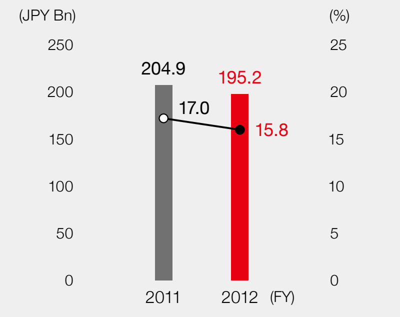
		FY2011	FY2012
Revenue passengers carried (number of passengers)	Domestic	28,965,514	**30,020,440**
	International	6,844,772	**7,525,038**
	Total	35,810,286	**37,545,478**
Revenue passenger km (1,000 passenger-km)	Domestic	22,264,394	**23,012,898**
	International	30,313,789	**34,036,119**
	Total	52,578,184	**57,049,018**
Revenue passenger-load factor (%)	Domestic	62.7	**63.1**
	International	70.4	**76.1**
	Total	66.9	**70.3**
Available seat-km (1,000 seat-km)	Domestic	35,523,214	**36,443,994**
	International	43,036,984	**44,745,317**
	Total	78,560,199	**81,189,311**
Revenue cargo ton-km (1,000 ton-km)	Domestic	355,909	**360,176**
	International	1,314,295	**1,378,282**
	Total	1,670,205	**1,738,458**

Percentages are rounded off to the first decimal place.
Except for revenue passengers carried, figures are truncated under 1,000.

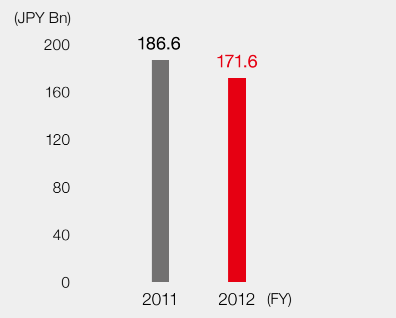
Operating Revenue



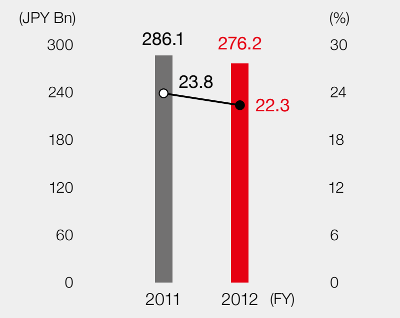
Operating Profit / Operating Profit Margin



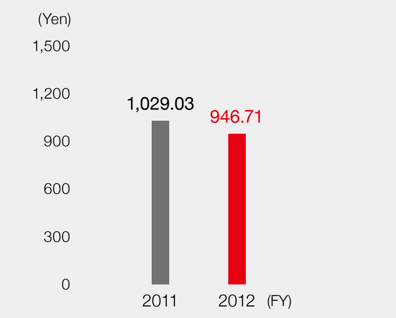
Net Income



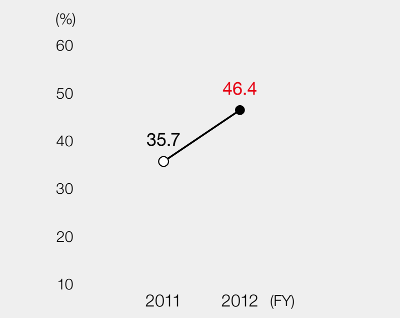
EBITDA* / EBITDA Margin*



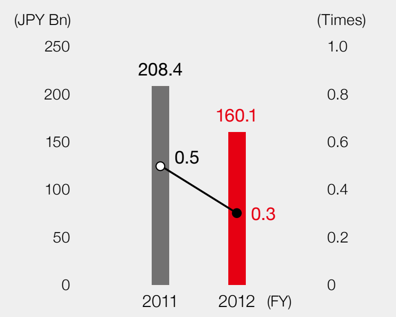
Net Income Per Share



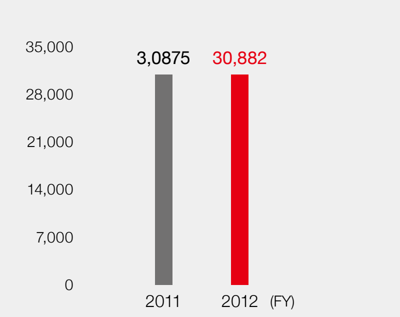
Equity Ratio



Interest-bearing Debt / D/E Ratio



Number of Employees (Consolidated)



*EBITDA: Operating Profit + Depreciation
*EBITDA Margin: EBITDA ÷ Operating Revenue

◉ Upon Publication of the JAL Report

Be Humble, Avoid Arrogance, and Continue to Extend Efforts

My heartfelt gratitude goes out to you for your continued interest in the JAL Group. I would like to take this opportunity to once again thank everyone who has offered us their invaluable support, including our stakeholders, and our customers who favored us with their ongoing patronage as we relisted our stock on the First Section of the Tokyo Stock Exchange and brought an end to government support in September last year.

After I accepted the request from the government and the Enterprise Turnaround Initiative Corporation of Japan and set to work on rebuilding Japan Airlines, I went around the company, exhorting employees to adhere to the basic principles of corporate management, that is, a management committed to people's minds. My hope was that JAL would not only be revived in financial terms, but would also be reborn as an outstanding airline company we could proudly present to the world for the exceptional commitment of its employees and the stability of its management. With the help of many stakeholders, the directors and employees firmly positioned the JAL Philosophy and the divisional profitability management system as the twin pillars of the company, single-mindedly pursued their aspiration to rebuild the company, and persevered in their efforts to create the new Japan Airlines.

I stepped back from the frontlines of management at the end of March this year, entrusting the future of the company to its directors and employees with these parting words: "Be humble, avoid arrogance, and continue to extend efforts. Today is the fruit of your past efforts, while the future depends on the efforts you make from this point forward." I believe they will continue to pursue outstanding management that meets stakeholder expectations by continually reminding themselves of their resolve to create the JAL of tomorrow through their efforts.

At this key juncture, we sincerely seek your continued guidance and patronage of Japan Airlines in the hope of together achieving our shared goal of prosperity and well-being.

Kazuo Inamori

Dr. Kazuo Inamori
Chairman Emeritus
Japan Airlines Co., Ltd.

Part with the Past and Create the New JAL

Japan Airlines filed a petition for proceedings under the Corporate Reorganization Act on January 19, 2010, which caused significant inconveniences and concerns to financial institutions and other creditors, former shareholders, loyal customers, business partners and the Japanese public. Moreover, we were allowed to continue our operations as we proceeded along the path to rehabilitation.

Today, as we continue to advance step by step as the reborn JAL, we are entirely indebted to the understanding, cooperation and support of a great number of stakeholders, to whom I once again express my sincere gratitude.

I will always remember with a sense of appreciation having been given this last chance to rebuild the company. To repay everyone for their strong support as quickly as possible, I have poured all my efforts into developing a robust financial constitution that is highly resilient to risk.

This effort could also be described as a journey for creating a reborn JAL by uniting the minds of Group employees, breaking with the value system of the past, thinking and acting in line with the JAL Philosophy to realize our new corporate policy.

The culminating statement of the JAL Philosophy is “Aim High.”

Over the past three years since becoming president, I have visited all domestic and overseas branch offices, meeting with many frontline employees to share my thinking, often through frank discussions, and we have all confirmed our mutual commitment to create a new JAL.

Although we are only halfway there, we will always be grateful to society and our customers. The directors and employees are moving forward as one to realize our corporate policy, maintaining safe operations as the foundation for our existence and delivering unparalleled service to attain our highest aspirations of becoming the new JAL, the most preferred airline by customers.

I sincerely seek your patronage and hope you will continue flying with the JAL Group.

Masaru Onishi

Representative Director, Chairman
Japan Airlines Co., Ltd.

Yoshiharu Ueki
Representative Director, President
Japan Airlines Co., Ltd.

Turning Our Promise into True Value

For a year we put forth concerted efforts group-wide to demonstrate that JAL has changed and has become a company that keeps its promises to its stakeholders. From this point on, JAL's true value will be put to the test as we strive to establish a high profitability structure.

Looking Back on FY2012

I extend my deepest gratitude to Japan Airlines (JAL) customers, our shareholders in Japan and overseas, and all our stakeholders with whom we have the pleasure of doing business.

We were able to relist on the First Section of the Tokyo Stock Exchange on September 19, 2012, repay the capital injection of 350 billion yen to the Enterprise Turnaround Initiative Corporation of Japan, and have started anew as a private company. We express our sincere gratitude to everyone for making all this possible. The JAL Group is now similar to a first-year company with a long way to go. We can never let down our guard, even when business results are positive, and we will do our best to further improve business performance by ensuring flight safety and providing unparalleled services. We must never forget our remorse and regret for past failures or our gratitude to all who have helped bring us to this point.

Resumption of Boeing 787 Operations

JAL suspended its Boeing 787 operations from January 16 to May 31, 2013, owing to onboard

battery failures. We sincerely apologize to our customers and all those affected for the inconvenience and concerns caused by this suspension.

Subsequently, necessary modifications were made to the suspended Boeing 787 aircraft and after sufficiently confirming safety and reliability and completing meticulous preparations, we resumed flight operations starting on June 1, 2013. Flight operations for the Narita-Helsinki route, which had been postponed by the Boeing 787 suspension, commenced on July 1, 2013.

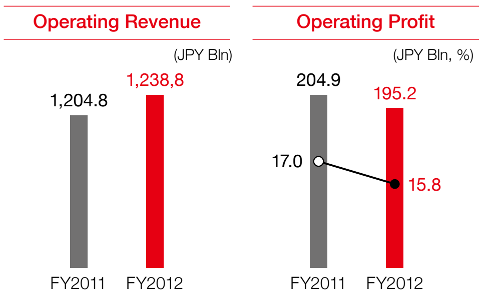
We will ensure the safe, secure and reliable operations of every aircraft in the Group's fleet, including the Boeing 787, so that customers can fly with JAL with a sense of security.

Overview of Consolidated Results for FY2012

During the consolidated fiscal year ended March 31, 2013, consolidated operating revenue increased 2.8% year-on-year to 1,238.8 billion yen, operating profit declined 4.7% year-on-year to 195.2 billion yen and net income fell 8.0% year-on-year to 171.6 billion yen. Operating profit margin declined by 1.2 point year-on-year but was maintained at a high level of 15.8%, thereby achieving the management target of 10% or above set by the JAL Group Medium Term Management Plan for Fiscal Years 2012–2016 (hereafter "Medium Term Management Plan").

We are steadily accumulating capital. Our equity ratio was 46.4% at the end of March 2013 compared to 35.7% a year ago. We are pressing ahead, confidently approaching the target of 50%, set out in our Medium Term Management Plan.

▶ Overview of FY2012 Results



	FY2011	FY2012	Year-on-Year Change
Equity Ratio (%)	35.7%	46.4%	+10.7pt

Formulation of the JAL Group Medium Term Management Plan for Fiscal Years 2012–2016 Rolling Plan 2013

To achieve the management targets in the Medium Term Management Plan, the JAL Group did its utmost to provide customers with unparalleled services on the premise of maintaining safe operations; heightened the profit consciousness of employees under its code of conduct, the JAL Philosophy; and established a divisional profitability management system that promoted autonomous management.

We at the JAL Group must humbly reflect and learn from our mistakes of the past. Despite having developed well thought out plans, we had managed the company without sufficiently reviewing progress or the relative achievement of our plans, or analyzing results. In implementing the Medium Term Management Plan, we feel it is important to constantly confirm which measures are on track to reach our targets, identify measures that need to be improved, and explain to our staff, customers, shareholders and all other stakeholders that we are earnestly working to achieve our targets.

To this end, we have confirmed that under the current operating environment, the management targets in our Medium Term Management Plan will remain unchanged.

We announced the JAL Group Medium Term Management Plan for Fiscal Years 2012–2016 Rolling Plan 2013 (hereafter "Medium Term Management Plan Rolling Plan 2013") on April 30, 2013 with these objectives in mind:

- To enable JAL Group staff to reaffirm the direction we are heading and to understand our current positioning; and
- To demonstrate to customers, shareholders and all other stakeholders that the entire JAL Group intends to keep its promises.

We will humbly reflect on the past year, identify measures that need to be improved to achieve our targets in the remaining four years, correct them and then execute them. On completing the first year of fiscal years 2012 through 2016 of the Medium Term Management Plan, we have defined the positioning of each fiscal year, as shown at right.

By achieving the management targets, we aim to realize the JAL Group Corporate Policy.

FY 2012

The year in which our ability to execute the Medium Term Management Plan was put to the test

Drawing on lessons learned in the past, when we had neglected to execute or analyze the cause of failures in our plan, we exerted group-wide efforts to prove JAL had changed into a company that keeps its promises to its stakeholders.

FY 2013

The year in which the true value of our Medium Term Management Plan will be put to the test

FY2013 will be the year that tests our resolve to overcome apparent risks at the beginning of the year (e.g., suspended operations of 787 aircraft, currency trends), and establish a high profitability structure.

We will polish human services, from reservations and sales to airports and in-flight services, without overdependence on hardware (e.g., aircraft, seats, airport facilities) or software (e.g., in-flight entertainment, in-flight meals), and provide ever-refreshing, unparalleled services to secure high profitability by continuously minimizing costs through enhanced productivity and demonstrate that the Medium Term Management Plan is JAL's firm promise to its stakeholders.

Establishing a High Profitability Structure

FY 2014–FY 2016

The period for achieving the management targets in the Mid-Term Management Plan and starting new growth

With the goal of establishing a high profitability structure in FY2012–2013, FY2014 onwards, which is the latter half of the Mid-Term Management Plan, represents the next stage for achieving sustainable growth.

This will be the period in which we steadily achieve the management targets in the Medium Term Management Plan while leveraging business opportunities, especially the increase of international departure and arrival slots at Haneda Airport, enforce measures for the next growth stage under the keywords "autonomous," "challenge" and "speed," and build a company that defies future competition and achieves sustainable development.

To the Next Growth Stage

Market Outlook

While the European sovereign debt crisis and economic problems in the U.S. clearly pose a downside risk to the global economy, the economy is nevertheless on the road to recovery. The Japanese economy is expected to recover through the economic measures and monetary policies of the new Japanese administration. The number of outbound passengers from Japan is expected to gradually rise, although the higher consumption tax rate may have some impact. In particular, an increase in leisure demand is expected as well as demand generated by low-cost carriers (LCCs).

With respect to air cargo demand, exports from Japan on the whole have been sluggish, and we do not expect significant recovery during or soon after FY2013.

On the supply side, the number of departure and arrival slots in the Tokyo metropolitan area will gradually increase. Severe competition is seen to prevail in the domestic and international landscape as other modes of transportation (e.g., Shinkansen) also evolve. The increase of departure and arrival slots at Haneda Airport (for domestic flights in FY2013 and for international fights in FY2014) is expected to generate major business opportunities due to the airport's strategic location.

To optimize this business opportunity, we realize we must continuously review our Medium Term Management Plan, enforce new measures to survive future competition, and strengthen cooperation with our alliance partners.

Differentiation to Outlast the Competition

Given the expected changes in the competitive environment, we plan to clearly distinguish ourselves from our competitors in the three areas of "**Enhancement of the JAL Brand**," "**Route Network, Products and Services**" and "**Cost Competitiveness**" under the Medium Term Management Plan, toward our goal of becoming the customers' most preferred airline by providing unparalleled services to continuously deliver a fresh and enjoyable travel experience for customers.

Outline of the Medium Term Management Plan FY2012–2016

Surviving Future Competition (Three Differentiates)

Enhancement of the JAL Brand
We will maintain safety and provide customers with unparalleled services to enhance the JAL Group as a full service carrier.

Route Network, Products and Services
We will build a highly convenient route network and provide products and services ahead of our competitors to become the customers' most preferred airline group.

Cost Competitiveness
We will continuously strive to improve cost efficiency, maintain and improve cost competitiveness to strengthen our resilience to risks and build a business foundation for sustainable growth.

Key Initiatives (Five Areas)

- Safety Initiatives
- Group Management
- Human Resources Management
- Route Network
- Products and Services

Management Targets (Three Targets)

JAL recognizes that ensuring safety in flight operations is the basis of the existence of the JAL Group and our social responsibility. As a leading company in safety in the transportation sector, JAL will maintain the highest standards of safety.

JAL will provide unparalleled services to continuously deliver a fresh and enjoyable travel experience for customers. We aim to achieve "Customer Satisfaction No. 1"* by FY2016.

JAL aims to establish sufficient levels of profitability and financial stability to absorb the impact of economic fluctuations and risk events by achieving an operating profit margin of 10% or more for five consecutive years and an equity ratio of 50% or more in FY2016.

* In terms of the repeat intention rate and recommendation intention rate on the Japanese Customer Satisfaction Index (JCSI) announced by the Japan Productivity Center, Service Productivity & Innovation for Growth.

Enhancement of the JAL Brand

We have diligently worked in concert, group-wide, to provide customers with unparalleled services by maintaining the highest standards of safety and by raising the quality of our products and services by, for example, introducing an in-flight Internet service on our international flights and new seats, while also achieving the world's top on-time performance. We remain committed to pursuing the JAL brand as a full service carrier that is distinctly different from LCCs.

Route Network, Products and Services

During FY2012, we expanded our mid- to long-haul routes, including the launch of new routes from Narita to Boston and San Diego, and increased flights from Narita to Singapore and Delhi. We also enhanced our service lineup by installing new seats on Boeing 777-300 aircraft, refreshing our in-flight meals with a new concept, and becoming the only Japanese airline to offer an in-flight Internet service. For domestic flights, we expanded our routes, including the resumption of flights between Fukuoka and Hanamaki and between Niigata and Sapporo.

Operations of Boeing 787 aircraft were suspended on January 16, 2013, and although this has caused some delay in our business development, such as the postponement of the launch of the Helsinki route and having to change aircraft for Asian routes, we intend to continue deploying our aircraft on mid- to long-haul routes to achieve our goal of raising the quality of our route network, products and services. In domestic flights, we plan to build a route network with highly convenient connectivity by launching new routes and increasing the frequency of flights, with a primary focus on Haneda airport and Itami airport.

Cost Competitiveness

We are always striving for greater cost efficiencies while systematically pursuing safety initiatives as we maintain and improve quality, and in FY2012 we boosted cost efficiency by 10 billion yen. We will relentlessly make these efforts with outside-the-box approaches to establish a cost structure that stands firm in the face of a volatile external operating environment influenced by such factors as currency fluctuations.

Unit Cost Reduction

We are taking concrete actions in the areas of unit cost reduction and productivity improvement to further enhance cost competitiveness.

In terms of unit cost reduction, JAL uses unit cost, which we define as consolidated operating expenses related to air transport per available-seat-kilometer (ASK), as an indicator for setting targets and monitoring progress to manage group-wide costs.

Targeted ASK for the Group in FY2012, as indicated in the Medium Term Management Plan, was 105% compared to FY2011, but the result was 103% due to the grounding of our 787 fleet in the fourth quarter.

As for operating expenses, despite upward pressure from factors such as the service enhancement measures, we managed to contain increases by reducing costs through improved productivity and raising cost awareness through the divisional profitability management system. As a result, unit cost in FY2012 was 11.5 yen.

Until now, our unit cost indicator was based on consolidated operating expenses and ASK of the Group's six airline operators, respectively. As the cost structure of the air transport business actually covers the businesses of many Group companies, starting in FY2013 we will increase the number of applicable air transport-related consolidated companies to 32 in order to improve group-wide cost reduction measures and build an efficient and effective cost management structure.

We will also divide costs into those related to fuel and non-fuel items, and separately compute unit cost to clarify the level of non-fuel costs, which can be reduced through independent efforts. By FY2016 we plan to achieve a unit cost of 8.0 yen, excluding fuel costs, which is equivalent to the original target.

The entire Group will work together to further enhance cost competitiveness and come as close as we can to our original target for total cost.

Productivity Improvement

As for another major area for enhancing cost competitiveness, productivity improvement, we have been undertaking activities from the three perspectives of labor productivity improvement, efficient use of resources and response to environmental change.

As for labor productivity improvement, we will carry forward our efforts from FY2012 to improve productivity in every division in order to achieve lower unit cost. For the efficient use of resources, we will achieve improvements in every possible field through creative and inventive strategies. With regard to actions to address environmental changes, we will consider measures for minimizing expenses upon increasing the international slots at Haneda. In addition, we will steadily strengthen our IT Project structure and execute priority proposals to achieve cost reductions.

Group Management and Human Resources Development

We are pursuing key initiatives in the five areas of safety initiatives, route network, products and services, Group management and human resources development in order to realize the three differentiates.

In the area of Group management, we are aiming to foster a management mentality among all Group employees and establish autonomous and sound management at each Group company by firmly instilling the JAL Philosophy and developing the divisional profitability management system.

The divisional profitability management system was introduced to 9 companies in FY2012, bringing the total number of companies that use it to 11, or 63% in terms employee numbers.

In FY2013, we plan to introduce the system to 9 more companies, bringing the total to 20, or 76% in terms of employee numbers at the end of FY2013.

As for instilling the JAL Philosophy, we continued to provide JAL Philosophy education in FY2012. Through this program, all Group employees learn about the four themes, which are each covered separately for three months at a time over the course of one year. Approximately 61,000 employees (cumulative) in the Tokyo metropolitan area spent 544 days (cumulative) participating in the courses. We have also been promoting measures such as sending textbooks and dispatching educational staff so that we can reach a greater number of employees outside of Tokyo. We intend to continue these efforts by offering four JAL Philosophy courses in FY2013.

ASK per employee, which indicates productivity per JAL Group employee, has also increased year-on-year, which reflects our efforts in human resources development and measures in place at each division to improve productivity.

In FY2013, we also established the Human Resources Management Division by consolidating departments related to human resources, including work philosophy reform and human resources development to promote uniform measures.

We are seeking to further improve the effectiveness of our education by utilizing the functions of the JAL Education Center set up within the Human Resources Management Division.

We will continue to recruit the appropriate number of staff members and maintain the headcount at around the 32,000 level (consolidated number of employees for the Group) targeted by the Medium Term Management Plan, even as we expand the scope of our business, by promoting the efforts to improve quality and productivity being undertaken in human resources development and by each division.

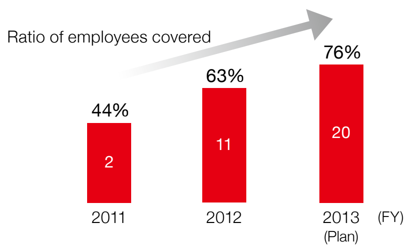
▶ Group Management and Human Resources Development

Divisional Profitability Management System

Introducing Divisional Profitability Management System into Group companies

Result Introduced into 9 companies in FY2012, including one earlier than planned

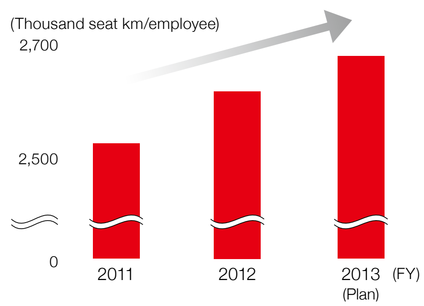
Plan 9 additional companies in FY2013



Number of companies under Divisional Profitability Management System

Productivity per Employee

ASK per Employee



Progress on Management Targets

> **1** JAL recognizes that ensuring safety in flight operations is the basis of the existence of the JAL Group and our social responsibility. As a leading company in safety in the transportation sector, JAL will maintain the highest standards of safety.

Despite our utmost efforts to achieve the targets of zero aircraft accidents and zero serious incidents, regrettably, one aircraft accident and four serious incidents were registered in FY2012. We sincerely apologize to passengers and all those affected for the resulting concerns and inconvenience. We take these matters seriously and will thoroughly investigate these incidents, rigidly enforce preventive measures, and reinforce measures to ensure flight safety so that customers can rely on us and fly with peace of mind.

Indicators and Results		Outline
Aircraft Accidents	1	**November 26, 2012** JAL877 (Narita-Shanghai Pudong) reached 36,000 feet cruising altitude and then shook when encountering turbulence after the seatbelt sign was turned off. One passenger was injured.
Serious Incidents	4	**July 8, 2012** JAC3635 (Fukuoka-Miyazaki) entered the runway to prepare for take-off under instructions from air traffic control while another aircraft was approaching to land.*1 **October 20, 2012** JAL1471 (Haneda-Matsuyama) made an emergency landing at Haneda due to engine trouble in flight. **October 31, 2012** When JAC3745 (Kagoshima-Yakushima) landed at Yakushima and was still on the runway, another aircraft took off.*2 **December 25, 2012** JAL2837 (Sapporo-Hanamaki) overran the runway after landing at Hanamaki (unable to self-propel).

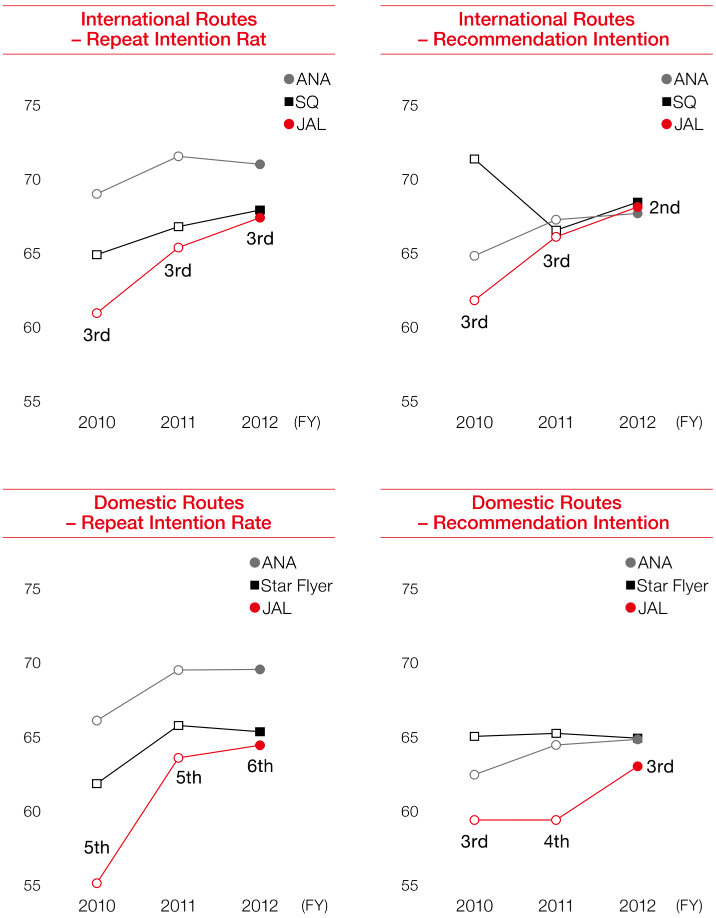
*1: Investigations into this incident by the Japan Transport Safety Board have been completed, and no problems were indicated with the JAL Group.

*2: Investigations into this incident by the Japan Transport Safety Board are in progress, but there have been no findings to date indicating problems with the JAL Group.

> **2** JAL will provide unparalleled services to continuously deliver a fresh and enjoyable travel experience for customers. We aim to achieve "Customer Satisfaction No. 1" by FY2016.

We have narrowed the gap with higher ranking airlines in the JCSI survey by improving our route network, products and services. Consistent efforts, however, are necessary to achieve our target of No. 1 in customer satisfaction. We will analyze our results in FY2012 and meet the challenges of quickly developing new services.

JCSI (Japanese Customer Satisfaction Index) Source: JCSI Survey



> 3 JAL aims to establish sufficient levels of profitability and financial stability to absorb the impact of economic fluctuations and risk events by achieving an operating profit margin of 10% or above for five consecutive years and an equity ratio of 50% or above in FY2016.

In FY2012 we achieved an operating profit of 195.2 billion yen and an operating profit margin of 15.8% as a result of an increase in revenue, particularly from international passengers, and cost reductions through productivity improvement. As a result, equity was 565 billion yen and the equity ratio was 46.4% as of the end of FY2012.

Dividend Policy

Passing benefits to shareholders is one of the most important management goals of the company. It is our basic policy to distribute benefits to our shareholders in the form of dividends, while executing capital expenditures to respond to future business growth and changes in business conditions, and maintaining internal reserves for building a strong financial structure.

With respect to dividends for FY2013, we will maintain a dividend payout ratio of approximately 20% of consolidated net income. We will announce the actual amount of dividends when final performance calculations have been completed. We will also do our utmost to maximize profit as well as shareholder benefits.

Dividend

	FY2012 Result
Net Income	171.6 JPY Bn
Shares Issued	181,352,000
Dividend Per Share	190.00 JPY
Dividend Payout Ratio	20.1%

CSR Activities

JAL Group employees are sincerely grateful for the support we have received from the many stakeholders who enabled the company to have a fresh start. We established a CSR Committee in April 2013 to give practical form to our gratitude by actively contributing to social progress and development as well as regional revitalization.

In June 2013, we resumed our support for reconstruction efforts by launching the JAL Tohoku Support Project, "Visit Tohoku!" as our response to the current needs and hopes of those affected by the Great East Japan Earthquake. We hope to contribute to reconstructing the Tohoku region by uniting the efforts of JAL employees in facilitating regional development primarily through our business activities and encouraging people in the affected region through our social contribution activities.

VISIT TOHOKU!
JAL TOHOKU SUPPORT PROJECT

To Become the Customers' Most Preferred Airline in Japan and the World

With an overarching commitment to ensuring safe operations, we introduced the JAL Philosophy and the divisional profitability management system to increase the profit consciousness of every Group staff member. In formulating the Medium Term Management Plan Rolling Plan 2013, we reviewed our revenue, expenditure and financial results and sought to free ourselves from conventional thinking to revise our plan in response to the changing environment. We want to contribute to the betterment of society in various ways by continuing to thoroughly analyze the profitability of each route and continuously improve our network to offer convenience for our customers, provide them with unparalleled services, increase corporate value and incorporate the perspective of CSR into our activities. We will also strive to pass on benefits to shareholders through ongoing dividend payments.

Looking ahead, we plan to sustain the evolution of our Group by intentionally developing autonomous management that is consistently aware of the risks, embracing the challenge of new tasks without fear of making mistakes, and quickly responding to new and unforeseen situations. We thank you in advance for your continued patronage and support.

Review of Operations

Air Transport Segment

International Operations

International Passenger Business

We stepped up measures to improve profitability, products and services in order to become the world's most preferred airline group by customers.

In our international route network, we launched nonstop service between Narita and Boston as well as San Diego by Boeing 787s fleet. The inauguration of the Narita-Helsinki route was postponed due to the grounding of Boeing 787s, but was subsequently launched on July 1, 2013.

In FY2013 we will consider launching or increasing the frequency of routes between Haneda Airport and China to make maximum use of the expanding international slots from FY2014. Also, we will improve our capability to support at Narita International Airport as our hub.

Route Network

● Implemented ● Scheduled

- ● Launched routes between Narita-Boston, and Narita-San Diego
- ● Increased flights between Narita-Singapore, and Narita-Delhi
- ● Changed aircraft for routes between Narita/Haneda-Singapore, Haneda-Moscow, and Haneda-Beijing
- ● Postponed the launch of the Narita-Helsinki route until July 1, 2013
- ● Considering launching and increasing flights between Haneda and China in FY2013
- ● Making maximum use of planned expansion of slots from FY2014
- ● Improving Narita's capability as a hub for connecting international flights

▶ Flight Operations Using Boeing 787s (as of July 1, 2013)

With respect to alliances, our joint businesses with American Airlines on transpacific routes and with British Airways on European routes are going smoothly and are steadily showing a synergetic effect.

Looking forward, we would like to further enhance our alliances hand in hand with our partners, expand the scope of our business and actively seek new partners.

As for collaboration with the oneworld alliance, which has inducted new partners, we would like to maximize the networks of the member airlines in our continuing effort to improve customer convenience.

Alliances and Business Strategy

● Implemented ● Scheduled

- ● Began joint business with British Airways
- ● Maintained an alliance with American Airlines with favorable results
- ● Further development of joint business to improve customer convenience, expansion of the scope of our business and addition of new partners
- ● Making maximum use of the oneworld® alliance network including our new partners*

* Malaysia Airlines (joined February 2013), Qatar Airways (to join in FY2013), SriLankan Airlines (to join in FY2013), TAM Airlines (to join in FY2014), US Airways (to join as a joint venture with American Airways)

▶ Member Airlines of the oneworld® Alliance (as of July 1, 2013)

oneworld: airberlin, American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, Japan Airlines, LAN, Malaysia Airlines, Qantas, Royal Jordanian, S7 Airlines

On international routes, we launched JAL SKY SUITE 777, which offers greater comfort and high quality amenities in every class under the theme of "a class above the highest quality." The service has been well received by customers. These flights started on the London route and will be progressively expanded to the other North America and Europe routes.

We are also the only Japanese carrier offering an in-flight Internet service called "JAL SKY Wi-Fi," which many customers have already used. This service will be gradually expanded throughout our network.

In addition, we will reconfigure our 767 aircraft and install full flat seats in our business class.

Enhancing the JAL Brand (High quality, full service)

● Implemented ● Scheduled

- ● JAL SKY SUITE 777 deployed on the New York route from May 2013, following its introduction on the London route
- ● Expand JAL SKY SUITE 777 routes
- ● Install full-flat Business Class seats on 767 aircraft (to be introduced on the Vancouver route from December 2013)

JAL SKY SUITE 777 first class

JAL SKY SUITE 777 business class

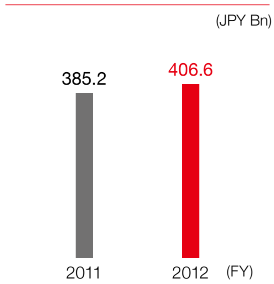
WORLD AIRLINE AWARDS 2013 WINNER SKYTRAX
BEST BUSINESS CLASS AIRLINE SEAT

In 2013, JAL SKY SUITE 777 was named "Best Business Class Airline Seat" by SKYTRAX.

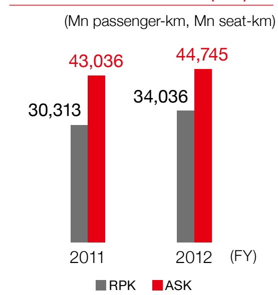
- ● Began our in-flight "JAL SKY Wi-Fi" Internet connection service on flights to New York, Chicago, Los Angeles and Jakarta
- ● Began offering "JAL SKY Wi-Fi" on flights to London and Frankfurt from April 2013
- ● "JAL SKY Wi-Fi" to be progressively launched on the other Europe routes

As a result, international supply for FY2012 increased by 4.0% year-on-year when measured in available-seat-kilometer (ASK), demand in terms of revenue-passenger-kilometer (RPK) increased by 12.3%, load-factor (L/F) increased by 5.6 points to 76.1%, and international passenger revenue increased by 5.5% to 406.6 billion yen.

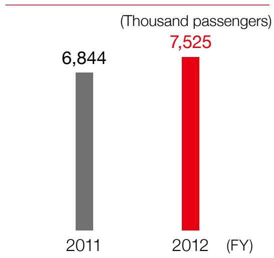
Operating Revenue



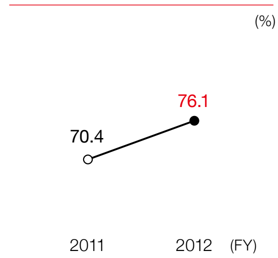
Revenue-Passenger-Kilometer (RPK) / Available-Seat-Kilometer (ASK)



Revenue Passengers Carried



Load-Factor



International Cargo

International cargo operations experienced sluggish inbound and outbound demand on the whole, but sales sections responded flexibly by pursuing measures such as seeking new customers, improving services to existing customers, and capturing transit cargo in order to maximize revenue.

The volume of international cargo increased by 4.9% year-on-year on a revenue-cargo-ton-kilometer basis (RCTK). However, revenue declined by 6.1% to 50.4 billion yen due to intense competition.

Air Transport Segment

Domestic Operations

Domestic Passenger Business

We strove to improve profitability by enforcing measures to stimulate demand and adjusting capacity according to demand.

New departure and arrival slots at Tokyo (Haneda) have been used to launch services from Tokyo (Haneda) to Nagoya and we also resumed the flights between Fukuoka and Hanamaki as well as Niigata and Sapporo. At Itami, flights were increased by using slots for low-noise jets.

In our partnership with Jetstar Japan, we launched codeshare flights and aligned our mileage programs.

We will continue to improve our route network with more convenience to customers in order to achieve further growth in revenue.

Route Network

● Implemented ● Scheduled

- ● Launched (resumed) the Fukuoka-Hanamaki and Niigata-Sapporo routes
- ● Launched the Haneda-Chubu route
- ● Launched (resumed) Itami routes to Matsuyama, Hakodate and Misawa
- ● Increased flight frequencies at Itami
- ● Started codesharing and mileage tie-up with Jetstar Japan, which will enable us to utilize its network for improved connections to our international services

▶ **Routes Launched/Resumed in FY2012**

On our domestic routes, we have installed first class on all Boeing 777-200s and Class J on all 737-800s. We will launch new services to improve the customer's convenience at the airport and onboard as part of our JAL Smart Style program.

In addition, in 2012 JAL was recognized by FlightStats as the most punctual airline for on-time arrivals in the Major International Airlines category and the Asia Major Airlines category. JAL Group operator J-AIR ranked first in the Asia Regional Airlines category.

We will continue to enhance the JAL brand as a full-service carrier by reinforcing our image through measures in the area of hardware, such as by refurbishing our aircraft, and by offering the highest level of service to customers through the united effort of all employees.

JAL Smart Style

JAL Smart Style is our concept for service that maximizes the value of customers' time by offering convenience and simplicity at each point of contact between the customer and JAL. Under this concept, we began offering the JAL Touch & Go service in August 2012, which enables passengers to board a plane after simply using a mobile device from which their boarding pass can be scanned.

JAL Touch & Go
This Android free app can be downloaded from Google Play.

Enhancing the JAL Brand: Convenience and Simplicity

● Implemented ● Scheduled

- ● Introduced first class on all 777-200 aircraft
- ● Introduced Class J on all 737-800 aircraft
- ● To enhance JAL Smart Style, we will progressively introduce new services to improve convenience at airports and during flights.

First class

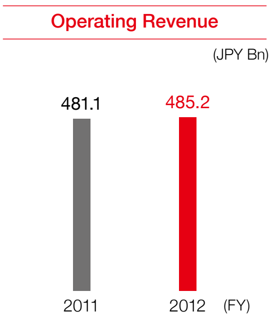
First class in-flight meals

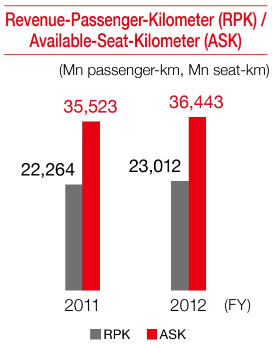
Breakfast

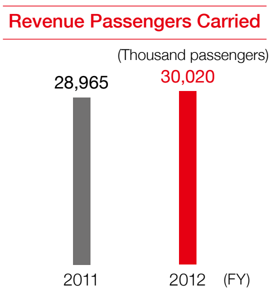
JAL collaborates with restaurants that are committed to offering seasonal ingredients and tastes and are highly regarded for the care with which they treat their guests. We change our in-flight menu every 10 days in order to offer passengers the best ingredients of each season.

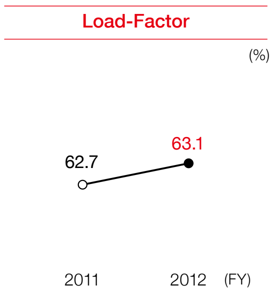
Dinner

As a result, domestic supply for FY2012 increased by 2.6% year-on-year when measured in available-seat-kilometer (ASK), demand in terms of revenue-passenger-kilometer (RPK) increased by 3.4%, load-factor (L/F) increased by 0.5 points to 63.1%, and domestic passenger revenue increased by 0.9% to 485.2 billion yen.









Domestic Cargo

Domestic cargo operations encountered sluggish demand from the second half of the fiscal year while we strove to capture perishables and home delivery parcels by improving customer relations.

The volume of domestic cargo increased by 1.2% year-on-year on an RCTK basis, and revenue increased by 0.2% to 25.0 billion yen.

Air Transport Segment

Aircraft Investment and Fleet

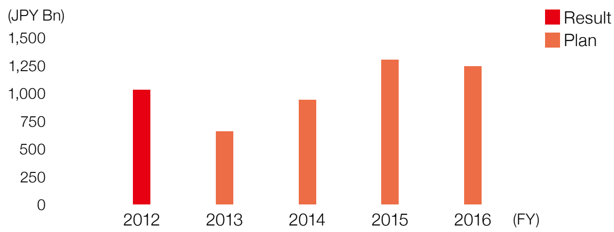
Investment in aircraft totaled 103.0 billion yen in FY2012.

After revising the assumed foreign exchange rate from 85 yen to 95 yen per U.S. dollar, we expect the aircraft investment to increase starting in FY2013. We plan to invest approximately 517.0 billion yen by FY2016.

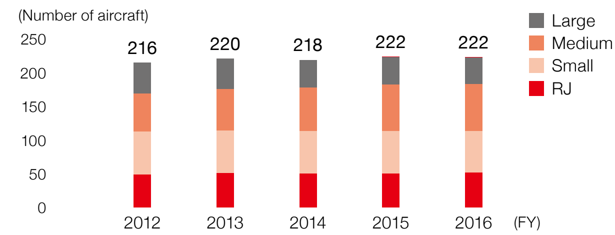
By the end of FY2016, the JAL Group's fleet will consist of 222 aircraft (83 international and 139 domestic aircraft), in line with the original Medium Term Management Plan.

Aircraft Investment and Fleet

Amount Invested in Aircraft (JAL Group)



Changes in the Number of Aircraft (JAL Group)



Figures are as of the end of the fiscal year. Large: 777, Medium: 787/767, Small: 737/MD90, RJ (Regional Jet or smaller): E170/CRJ/Q100–Q400/SAAB

● Implemented ● Scheduled

- ● Invested 103.0 billion yen in aircraft in FY2012
- ● Invest 517.0 billion yen by FY2016, introduce 33 787 aircraft by the end of FY2016, and start introducing 787-9 aircraft in FY2015
- ● Upgrade six 767 aircraft for improving fuel efficiency in FY2013 (winglet installation)
- ● Receive E170 ahead of schedule to develop domestic network sooner
- ● Retire aged 777 and 767 aircraft to optimize fleet efficiency

Others

We strive to maximize the JAL Group's corporate value and improve our profit margin. The financial results of two major companies in this segment are as follows.

JALPAK Co., Ltd. offered additional products to respond to changes in demand and the timely JAL Dynamic Package to maximize revenue and improve cost efficiency. The number of overseas JALPAK customers increased by 3.4% from the previous year to 323,000. The number of its domestic customers increased by 3.3% to 1,972,000. As a result, operating revenue (prior to intercompany transaction elimination) increased by 5.5% from last year to 161.6 billion yen.

JALCARD, Inc. aggressively carried out activities to increase members and promote the use of JAL Card. In December 2012, it issued a new brand card, the JAL American Express® Card, for the first time in six years, and by adding platinum cards to its lineup, it targeted top tier customers. As for member services, it extended call center service hours from October 2012 in order to improve service quality from the customer's standpoint. As a result, the number of members increased by approximately 120,000 from that of March 31, 2012 to 2.76 million as of March 31, 2013, and operating revenue (prior to intercompany transaction elimination) increased by 7.4% from the previous year to 17.3 billion yen.

Each of Us Making JAL What It Is

JAL REPORT 2013

Each of Us Making JAL What It Is

Putting Ourselves in the Customer's Position

Every JAL employee is committed to providing the finest level of service reflecting the style of hospitality associated with Japan, and by putting ourselves in the customer's position.

»01

Providing Quality Time for Customers through Extensive Use of Mobile Devices

We provide services through smartphones and tablet devices to increase the comfort and convenience of customers traveling with JAL. For example, our countdown app keeps track of the time remaining before boarding, a real-time video app displays the congestion situation in security screening areas and a guide app provides directions to the boarding gate. We intend to further enhance the breadth of information and depth of our services by expanding the use of these apps for both domestic and international flights departing from Japan in addition to the flights bound for Japan.

We are thoroughly committed to providing quality time to customers by fully utilizing information devices in order to deliver a rich and rewarding travel experience.

Toshiya Shimizu Planning Group, Web Sales Department

»02

Giving Personal Attention to Every Customer

My job is to provide easy –to- understand explanations in response to a lot of customer feedback received by phone, email and comment cards. I also take part in incorporating this feedback into proposals for the purpose of improving our products and services. Every time I respond to feedback, I remember to show compassion for our customers so that more customers will become fans of JAL.

Concrete improvements that have resulted from customer feedback include drink menus on domestic flights with photos of items and redesigned domestic flight schedule that display flight numbers in distinctive colors.

In the future, when I return to in-flight duty as a cabin attendant, I hope to draw upon these experiences and be even more conscientious in offering services from the customer's perspective.

Fumi Tajiri Customer Support, Marketing Department

03

Bringing Japanese Quality to Customers in Bangkok

Bangkok's Suvarnabhumi Airport is one of Asia's busiest airports. My job is to provide services with a smile to passengers who are flying on JAL's four regular flights to and from Japan.

Smoothly guiding all of our passengers is not always easy. For example, when the flight of another airline arrives late with a passenger scheduled to take a connecting JAL flight, we do not have much time to transfer their luggage. At those times I try to put myself in the customer's position and do my very best to coordinate with the other airline right up to the time of departure, so that the passenger and luggage will be on the same flight.

I hope that JAL becomes the most preferred airline in the world by consistently delivering the quality of service established in Japan to every customer.

Attarapadung Natcharee Passenger Traffic Section, Bangkok Airport Office

04

Pursuing "a Class Above the Highest Quality"

I was a member of the team that developed the business class passenger seats for JAL's SKY SUITE 777, which entered service in January 2013. Our goal is to turn JAL into a full-service carrier offering a higher overall level of quality and providing first-class comfort in our business class. We set out to meet this goal with unprecedented speed and enthusiasm, confident that nothing would please us more than customers experiencing "a class above the highest quality" while sitting and sleeping on our flights.

We plan to similarly upgrade the interiors of our other aircraft to provide the finest in-flight experience in the world for customers on all our routes and fully demonstrate our Japanese sensitivity for function and design.

Koichiro Fujishima Planning Group, Product and Service Strategy Department

In 2013, JAL was named "Best Business Class Airline Seat" by SKYTREX.

WORLD AIRLINE WINNER SKYTRAX AWARDS 2013
BEST BUSINESS CLASS AIRLINE SEAT

The World's Most Punctual Airline

We Promise On-time Operations Now and into the Future

Major International Airlines	JAL	On-time performance rate: 90.35%	World's No. 1
Asia Major Airlines	JAL	On-time performance rate: 90.35%	Asia's No. 1
Asia Regional Airlines	J-AIR	On-time performance rate: 92.58%	Asia's No. 1

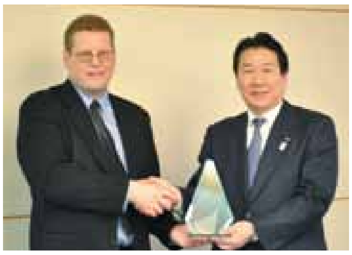
By achieving an on-time performance rate of 90.35% for domestic and international flights from January through December 2012, JAL was recognized as the best of 29 major airlines in the Major International Airlines category by FlightStats, Inc., a company that analyzes on-time performance and other data.

JAL also came in first in the Asia Major Airlines category, marking the third time it has achieved the distinction of being No. 1 in both categories since the awards were established in 2009.

Furthermore, JAL Group member J-AIR was recognized as No. 1 in the Asia Regional Airlines category with an on-time performance rate of 92.58%. In this category, JAL Group airlines have dominated the No. 1 spot for four consecutive years since this award was established. This was J- AIR's second time to be recognized as the top performer, after previously hitting the mark in 2010.

In addition, the oneworld alliance, of which JAL is a member, won No. 1 recognition in the new Airline Alliance category.

We received a trophy from Jeff Kennedy, president of FlightStats Inc., at an award ceremony on February 19, 2013. This honor encourages us to continue striving to maintain the quality of our on-time performance.



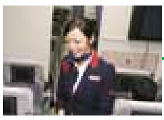
Jeff Kennedy, CEO (left) and president Yoshiharu Ueki

Passenger Cooperation Makes On-time Performance Possible

All of the following preparations must be completed before punctual departure, including preparations for safety that continue even after the passengers have boarded. An aircraft can only depart after the staff has completed all required safety confirmations.

Departure preparation procedures after passenger boarding

Stow carry-on baggage →

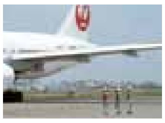


Fasten seat belts →

Close cabin door (confirm door mode) →

Remove boarding bridge →

Contact air traffic control →



Departure (push back)

FlightStats, Inc.

Founded in 2001, headquartered in Portland, Oregon and led by Jeff Kennedy, CEO, FlightStats gathers data from multiple global sources, including civil aviation authorities, airlines, airports and taravel agent reservation systems, and provides flight status data, airport delay information and more on its website. Its data is shared and cited by overseas media and other travel information sources.

Employee Dialog

United under the JAL Philosophy

How have the experiences of corporate bankruptcy, share relisting and dramatic recovery affected each operation?
Nine employees who practice "Make the Best Baton Pass" every day were brought together to talk about the past, present and future of the JAL Group.

Filing for proceedings under the Corporate Reorganization Act on January 19, 2010 and subsequent changes in the workplace

Kaburagi (Cabin) ◉ On January 19, I was aboard a flight and doing my usual work. I can still recall the tension I felt as well as my gratitude for many customers who had been aware of the company's plight however still flew with us. I wanted to welcome passengers with my usual smile, but I felt hesitant, unsure of whether acting in my usual manner would be appropriate. Even these days as I go about my daily work, that feeling of tension often comes to mind.

Matsumoto (Cargo) ◉ It took a while for JAL's bankruptcy to hit me, partly because of my job, which is handling cargo business related to foreign companies. After the bankruptcy, however, I became acutely aware of the importance of cost savings in areas such as copy paper and electricity use. In the past, I focused on doing my own job well, but now I also try my best to grasp the situation in other departments so we can help each other in our mutual efforts as well as control overtime.

Takenouchi (Maintenance) ◉ At maintenance sites, the pace of generational turnover picked up over the course of rehabilitation. Before, when senior mechanics retired, "younger generation" mechanics stepped up to take on the challenges of acquiring new qualifications, training new recruits and exercising leadership in the organization. I began thinking more deeply about my own mission.

While safety has always been important, I have made a habit of putting myself in the customer's position, asking myself what I can do as a mechanic to make passengers smile.

Hasegawa (Airport) ◉ Those of us who make up the ground service staff are the first to come into contact with passengers after they arrive. We are attending to them with greater care and responding with greater flexibility even under unexpected circumstances.

JAL Philosophy education has begun in the company and we are striving to "Make the Best Baton Pass" so that everyone can effectively relay tasks, for example, directly following up onboard with passengers who may not have received sufficient care prior to boarding. The ground service staff at the customer's departure point passes the baton to the cabin attendant and then on to the ground service staff at the passenger's destination. Although we may not know each other, we work together with the knowledge we are connected through the JAL Philosophy.

Yabumoto (Network Planning) ◉ We significantly adjusted our flight frequency at the time of the bankruptcy. I was engaged in planning routes and that was all I felt I was responsible for. I did not really consider overall operations beyond my immediate responsibility. Now I pay more attention to flight quality and customer feedback, and I seek to communicate with staff members at the operational sites to incorpo-

Daisuke Hirata
Sales
International Sales Strategy & Promotion
JAL Sales Co., Ltd.
Joined JAL in 2001

Ayumi Matsumoto
Cargo
Export Traffic Group1
JAL Cargo Service Co., Ltd.
Joined JAL in 2007

Takumi Ajima
Ground Handling
Ramp Service No. 2 Division
JAL Ground Service Tokyo Co., Ltd.
Joined JAL in 1996

Mina Uehara
Reservations
International Reservations Group,
Travel Agency Support Division
JAL Navia Co., Ltd.
Joined JAL in 2005

Yusuke Yabumoto
Network Planning
Domestic Network Planning,
Japan Airlines Co., Ltd.
Joined JAL in 2001

rate their thinking into flight frequency. While JAL has achieved the world's No. 1 on-time performance mark, we will continue to work hard because the pursuit for quality and cost efficiency is never-ending.

Uehara (Reservations) ◉ In reservation sections, we seldom took it upon ourselves to think about issues beyond the content of the manual. This attitude changed after the bankruptcy, and we now exercise greater initiative in our work, offering ideas that we can act upon, such as experiencing for ourselves the discomfort of being kept on hold for an extended period of time.

Hirata (Sales) ◉ I was a member of the project team for the inaugural flight to Boston, which marked the first new transpacific flight launch in 13 years for the reborn JAL. I felt failure was unacceptable for such a key item in our Medium Term Management Plan. Team members came up with various ways to get customers interested in Boston, such as serving clam chowder and donuts from Mister Donut – a Boston original – for in-flight meals and holding luncheons with the flight crew in Boston, and we promoted these ideas in our sales activities. Creating a corporate culture in which route marketing, marketing, and sales collaborate to add value to a product has been one new significant change.

Iwama (Flight Operations) ◉ As a flight crew, we analyzed and refined our classification of required crew skills, both technical and non-technical, from the standpoint of achieving even greater safety and quality. The results were systemized so that we could review our own flight operation to understand the specific tendencies of flight crews based on scientific analysis and apply the knowledge during future flights. With respect to communication, a lot of effort has gone into language training to cultivate skills for efficient, accurate communication. We have enhanced the overall quality of our flights by facilitating communication with everyone involved in flight operations and not just the flight crew.

Extending record revenues and share relisting in September 2012; building on current strengths to achieve further growth

Yasujima (Ground Handling) ◉ Our business results are steadily improving and we continue to make positive changes every day. Even the strongest resolve, however, can waver, so it is important that we remain steadfast in our stance toward change. Having experienced the bankruptcy, I want to consistently communicate our resolve to younger employees. The moment we forget this determination, the company will go to ruin.

Kaburagi (Cabin) ◉ I think it is important to care about the company and our colleagues and to work with a positive attitude. It has only been a few years since the bankruptcy, and we haven't forgotten the pain. Then again, we can't be driven by pain alone. We resumed the charity bazaars we had held at Narita Airport before the bankruptcy and welcomed crowds of visitors from the neighboring community and from regions affected by the Great East Japan Earthquake. I hope to actively create more opportunities for cultivating JAL fans besides our passengers.

Yabumoto (Network Planning) ◉ In order to safely fly an airplane, a number of different jobs must be performed, requiring the participation of many colleagues. If even one task is missed, the airplane could be prevented from flying. However obvious this may seem, it's important and must be communicated in simple terms to younger colleagues who did not experience the bankruptcy. By doing this, the company will recover and return to its place in society. I believe that in a decade or so there will be a great number of JAL fans.

Takenouchi (Maintenance) ◉ I want to continue pursuing customer safety and comfort. The wreckage of Flight 123 is on display at the Safety Promotion Center, and I've visited from time to time to reflect on lessons from the past as the foundation of my daily maintenance operations. Mechanics have also developed a strong sense of cost consciousness. Some costs, however, simply shouldn't be cut. For example, while we strive to reduce costs by honing our ability to prevent malfunctions by proactively replacing components during maintenance, we shouldn't cut back on costs related to human resources development. We must continue to offer thorough education, not only in maintenance, but in the JAL Philosophy and safety as well.

The pride of being a member of the JAL Group; favorite phrases from the JAL Philosophy

Hasegawa **(Airport)** ◉ The sight of an airplane crossing the sky can inspire dreams. And an airport should always be an exciting place. Regardless of our passengers' reasons for traveling – pleasure, visiting loved ones, or multiple business trips in a single month – I hope they will always experience excitement as they aboard their flights.

Matsumoto **(Cargo)** ◉ For me, "Make the Best Baton Pass" is a phrase that's close to my heart. Our work is not simply about handling the flights assigned to us; it's also about making a united effort through collaboration, cooperation, support and seamlessly passing along responsibilities from one colleague to another . Consequently, we must constantly be talking and confirming with each other. Throughout the process, I have to make sure I don't make even a single error in the designated cargo weight. I am acutely aware that the safe operation of every flight depends on the accumulated impact of each individual effort.

Yasujima **(Ground Handling)** ◉ JAL connects one person to another, and the world to Japan. We are a company that connects children with their future and their dreams. Sometimes, I feel our work itself is like a child's dream come true and that I am a part of it. That's how proud I am working for the JAL Group. "Put Yourself in the Customer's Position" is my favorite phrase in the JAL Philosophy. I think all staff members at JAL should see themselves as the cast in the Tokyo Disney Resort.

Uehara **(Reservations)** ◉ "Put Yourself in the Customer's Position" is my favorite phrase too, because it ties the entire Group together. I think the JAL Philosophy provides a lateral connection among professionals across all of JAL's departments. During the bankruptcy, it was difficult for me to say "I love JAL." I hope I can say it with pride for the next ten years and that we can turn JAL into a highly respected company.

Iwama **(Flight Operations)** ◉ I hope to turn JAL into a company in which we can all take pride. Pride is nurtured when each of us realizes how far we have grown as human beings, in addition to enhancing our skills in the course of our daily operations. Furthermore, when we respect each other and express our gratitude in words, pride also comes from feeling your colleagues depend on you. We have come together at this company, and as we seek personal development and encourage each other, we will begin to feel greater pride and care more deeply about the company and the communities around its operations. I firmly believe this chain reaction will create a great company and the source of customer recognition.

Hirata **(Sales)** ◉ I place great value in the phrase: "Each of Us Makes JAL What It Is," and other employees not here today also feel just as strongly about JAL. Each one of us has taken the corporate bankruptcy personally and we are working in concert toward complete rehabilitation. I hope we can sustain JAL as a company long into the future and that our feelings will take flight upon the wings of the "Tsurumaru" brand.

Tomoko Kaburagi
Cabin
Cabin Attendant, The 1st Cabin Attendants Department
Japan Airlines Co., Ltd.
Joined JAL in 2007

Hirofumi Iwama
Flight Operations
Captain, 787 Flight Crew
Japan Airlines Co., Ltd.
Joined JAL in 1986

Hitomi Hasegawa
Airport
Passenger Services Department, JAL Sky Sapporo Co., Ltd.
Joined JAL in 2009

Tomohiro Takenouchi
Maintenance
Line Maintenance Office #1 Section
Line Maintenance Department
Aircraft Maintenance Center, Haneda
JAL Engineering Co., Ltd.
Joined JAL in 2007

JAL Group's Corporate Social Responsibility

The JAL Group promotes CSR activities so that we may pass on a better society to future generations.

Contribute to the betterment of society in ways only the JAL Group is capable of, and achieve sustainable, synergistic development with society.

The JAL Group is embarking on a new journey as a private company through the understanding and cooperation of many people. We will press forward with optimism and positivity through joint efforts, while never forgetting our gratitude to society, so that we may become the world's most preferred airline group by customers.

We will fulfill our responsibilities as a corporate citizen not only through activities that build the basis of our company, such as flight safety, which constitutes the Group's foundation, as well as compliance and corporate governance, but also through activities that only the JAL Group can perform. We will accomplish this by practicing the JAL Philosophy, our code of conduct, and adhere to our Corporate Policy. Moreover, we will increase our corporate value and contribute to the betterment of society. In other words, we will do our best to meet society's expectations through our core air transport business. Each employee will ask "What can I do for society?" and present new value unique to JAL while also striving to address and alleviate social issues.

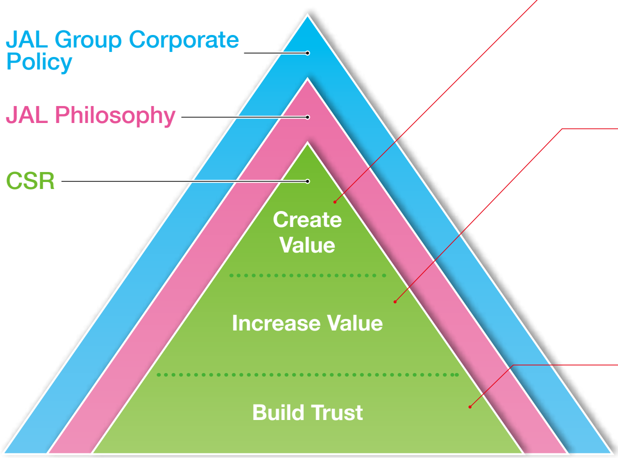
Through our CSR activities, we would like to achieve growth together with society in a sustainable and synergistic manner.

April 2013

Yoshiharu Ueki
Representative Director, President
Japan Airlines Co., Ltd.

Basic CSR Policy of the JAL Group

The JAL Group will strive to meet the expectations of society, address social issues, and pass on a better society to future generations through its core air transport business.



JAL Group's CSR Activities

The JAL Group will carry out corporate social responsibility activities that embody its code of conduct, the JAL Philosophy, which is closely aligned with our Corporate Policy.

- **Activities to Present New Value to Society that Only JAL Can Perform**
  We will strive to address and alleviate social issues through our core air transport business, and present new value that only JAL can deliver.
- **Activities that Meet Society's Expectations of the Airline Business**
  We will increase corporate value through activities that meet society's expectations of the airline business, such as by improving our network, tourism promotion and social contribution activities.
- **Activities that Form the Foundation of the Company as a Member of Society**
  Referring to ISO26000 Guidance on Social Responsibility, the JAL Group will fulfill its responsibility as a corporate citizen by incorporating a CSR approach to activities that create the basis of the company in order to build a relationship of trust with society.

Four Key Areas of the JAL Group's CSR Activities

The JAL Group will carry out a wide range of CSR activities in various fields in accordance with ISO26000 Guidance on Social Responsibility, especially in four areas that correspond to the features of our business.

1 Safety and Security

Flight safety is the very foundation and social responsibility of the JAL Group. We will maintain the safe operation of every flight, provide support at times of disaster in ways that only JAL is capable of, eliminate all kinds of barriers, and provide customers with pleasant, enjoyable travel experiences. Ensuring safety and security is most important to us.

Page 30

2 Nurturing the Next Generation

The JAL Group wants to pass on a promising future to the next generation and therefore strongly hopes that children will have dreams to pursue for the future. We will support the futures of children of diverse ages through employee participation programs.

Page 36

3 The Environment

The JAL Group is aware of the impact its business activities have on the environment and has been exploring ways to reduce its environmental footprint in every area of its operations. We will also conduct ecological activities unique to JAL, such as tropospheric observations by aircraft to ensure that our planet, as seen from the sky, remains beautiful for future generations.

Page 38

4 Bridging Japan and the World

JAL was founded and developed in Japan. Returning to the pioneer spirit of our former colleagues at the time of the company's founding, we will bridge Japan and the world as the "Wings of Japan," promote human, economic and cultural exchanges, and contribute to economic growth and world peace as a network carrier.

Page 41

Highlights

Participation in the UN Global Compact

Since December 2004, the JAL Group has been participating in the Global Compact, advocated by the United Nations.

On January 31, 1999, then UN Secretary-General Kofi Annan called on business leaders to join an international initiative, the Global Compact, to support nine (now ten) principles in areas including human rights, labor, the environment and anti-corruption. The Global Compact's operational phase was launched at the UN headquarters in New York on July 26, 2000.

The JAL Group will support and implement the ten principles of the UN Global Compact in all its business activities, and will act as a bridge to bring people, their cultures and their hearts closer together through its air transport business, and thus contribute to world peace and prosperity.

THE GLOBAL COMPACT
WE SUPPORT

Dialog

Kunio Yanagida

Chairperson, JAL Safety Advisory Group

×

Masaru Onishi

Safety Manager* (Representative Director and Chairman), Japan Airlines Co., Ltd.

Kunio Yanagida (at right)
Born in Tochigi Prefecture in 1936, Mr. Yanagida graduated from the University of Tokyo's Department of Economics. He then worked as a city news reporter for NHK until 1974, when he became an author. He won the Oya Soichi Prize for Non-Fiction in 1972 for his book *Mahha no Kyofu* (Terror at Mach 1). Mr. Yanagida won numerous awards for his book *Gan Kairo no Asa* (Morning on the Cancer Corridor), including the Kodansha Non-Fiction Award in 1979, the Vaughan-Ueda Memorial Prize for freelance broadcast journalists in 1984, and the Kikuchi Kan Prize in 1995. In 2002, he received an award from the Ministry of Land, Infrastructure, Transport and Tourism in commemoration of the 50th anniversary of the development of commercial air services, for his role in raising awareness about airline safety issues. He has served as the chairperson of JAL's Safety Advisory Group since 2005.

* Position with the responsibility and authority to supervise the Group's safety management system. Registered with the Ministry of Land, Infrastructure, Transport and Tourism under Article 103-2 (ii) of Japan's Civil Aeronautics Act.

1 Safety and Security

Current Status and Future Challenges of JAL Group Safety Operations

How has the safety and security of the JAL Group changed since the corporate reorganization and subsequent relisting of shares? Kunio Yanagida, Chairperson of the Safety Advisory Group, and Masaru Onishi, Safety Manager of the JAL Group (Representative Director and Chairman), discussed the Group's recent history and current state of operations as well as challenges for the future.

From Corporate Bankruptcy to a Turnaround, and Our Front-line Operations Today

Yanagida ◉ The Safety Advisory Group was established in August 2005 due to the repeated occurrence of safety-related problems even after a Business Improvement Order was issued by the Ministry of Land, Infrastructure, Transport and Tourism in March of that year. As Chairperson, I was responsible for writing up the Recommendations in December that would guide JAL in creating a corporate culture of ensuring safety and in restoring itself as an enterprise with high safety standards.

Onishi ◉ At the time, I was truly grateful that experts who thoroughly understood safety had conducted more than 130 hours of staff interviews to obtain invaluable, first-hand information for the Company. After the bankruptcy, we implemented various surgical actions to modify our management structure, with the most effort directed at reforming the work philosophy of our employees. Your Recommendations offered advice specifically from the standpoint of safety, but upon reviewing the Recommendations after JAL's emergence from bankruptcy I realized that the importance of work philosophy reform had already been pointed out in that paper. Back then, perhaps the management of the Company had already begun to waver, and we had failed to clearly recognize that fact, or had we noticed it, perhaps we were unable to take action as a Group. Having gone through bankruptcy and the subsequent corporate restructuring, I feel we have been realizing the work philosophy reform that was pointed out in your Recommendations.

Yanagida ◉ Once an organization becomes aware of the need to transform itself, time is required to make the necessary changes. For example, it took eight years for the government to establish the Aircraft Accident Investigation Commission following a series of airline accidents in 1966. Companies, however, must act with greater speed. I think JAL has turned the bankruptcy into an opportunity to become a company that can make quick decisions. The members of the Safety Advisory Group have continued conducting onsite interviews after the bankruptcy, and motivation in the workplace began

Safety in flight is a social responsibility and a vital management issue of the JAL Group. Recognizing the need to declare our policy of safety in flight under the JAL Group Corporate Policy in tangible terms we have established the Safety Charter.

The JAL Group strives to provide customers with safe and comfortable flights.

Safety Charter

Safety in flight operations is the very foundation and social responsibility of the JAL Group.

To carry out our mission of assuring safety, the management will exert its strong resolve and the employees will bear an awareness of their individual roles and responsibilities, and together we will combine our utmost knowledge and capabilities to ensure the safety and reliable operation of each and every flight.

In order to carry out our mission, we will;

- Perform our duties in compliance with regulations, faithfully following the basics.
- Be sure to make checks, without relying on assumptions.
- Relay information thoroughly, promptly and accurately, and ensure transparency.
- Respond to problems and issues quickly and precisely.
- Maintain a constant awareness of issues, and make necessary reforms without hesitation.

to markedly improve around the start of the third year of corporate restructuring.

Onishi ◉ Since becoming President in February 2010, I've spent as much time as possible on the front-line of our operations. We have approximately 90 branch offices where we interact with customers on a daily basis, and these essentially serve as the starting point for the JAL Group. I think you have shared my experience of getting a quick sense of how well a branch office is doing by its overall energy level. And like you, I have certainly felt that motivation is rising.

Nearly two years have passed since we began conducting JAL Philosophy education, and our philosophy has gradually taken root, which has a great deal to do with the growing motivation. Incidentally, while each Group company had provided corporate education individually in the past, this was our first attempt at corporate education intended for all JAL Group employees.

Yanagida ◉ The JAL Philosophy, safety and JAL brand constitute the three pillars of the Management Targets in your ongoing corporate restructuring efforts. Instead of addressing these elements individually, they must be expressed as an integrated concept and effectively instilled into the minds of every Group employee through education.

Onishi ◉ I see the JAL Philosophy as the foundation for safety and the brand. We are still educating employees about the basics of each of these. Since problems that arise in our front-line operations are associated with a combination of these elements, our employees need to come up with the best comprehensive response and act on it. Our training in this area has started for cabin attendants, but as the JAL Group we have only just begun. We are therefore developing an educational system whereby employees can first obtain an understanding of each element before learning to integrate them.

Yanagida ◉ The Safety Advisory Group has consistently pointed out that ensuring safety is everyone's responsibility, regardless of their position or where they work. It is not a concern only for the maintenance crew and pilots. To ensure this awareness takes root throughout the entire Group, we strongly encourage you to establish an educational system that integrates the JAL Philosophy, JAL brand and safety.

Significance of the Chairman's Dual Role as Safety Manager

Yanagida ◉ Mr. Onishi, you were the first person with a technical background to be appointed President and Chairman. Regardless of your additional heavy responsibility of having to deal with corporate restructuring, you have assumed the top safety-related position as Safety Manager in an effort to respond to our recommendations. I consider this highly commendable. How do you see your role?

Onishi ◉ Since joining the Company, I've always worked in the technological areas, so safety has always been my primary concern. I feel in my very bones, the critical nature of our unceasing efforts for safety. I am grateful that I've had the opportunity to serve as Safety Manager as well as President and Chairman.

Moreover, I think corporate management and safety are similar in that leadership is vital to both of them. Members of an organization observe leaders to see how they make decisions. When the issue is safety, you must maintain a solid commitment to protect it to the end, be well prepared to exercise the utmost care in planning, and finally face challenges with courage to ensure safety. You must be unwavering in your stance as you make decision after decision. Our employees always watch to see how leaders make decisions, and share the same sense of commitment as they go about their work. I think it is truly significant that being the top manager of the Company as well as the top safety officer allows me to declare my commitment to pursue management and safety as one concern from a position of authority, so that my decisions actually influence the entire Group.

Yanagida ◉ I heard that when President Ueki was appointed General Manager of Flight Operations, he requested then-Chairman Inamori to grant him the au-

thority to suspend all flights if he determined there was any danger, at a time when JAL was seeking to rationalize its operations. For me, this exemplifies the importance of decision making. I refer to this as "management that can decide" or "an organization that can decide," and I think JAL is becoming this type of organization. Decisions are required not only by the President and Chairman but by employees at all levels of the organization, and as we pointed out in the Recommendations, JAL should completely dispel the notion that it can depend on other people's decisions and firmly establish a decision making mentality at all levels.

Onishi ◉ As you have pointed out, decisions are not only required from top management, but also from each and every member of the JAL Group. In my earlier remark about leadership, I wanted to convey that leaders must clearly explain the background and intentions that lead to a decision as well as their underlying convictions in an effort to share with subordinates the thinking of the organization and its leadership. To that end, I think it's important to take the initiative to explain ideas in one's own words. It is also important to maintain a constant effort. Emphasizing the underlying principles behind each decision will reinforce their role in indicating the direction of the organization.

We are sometimes tempted to hesitate in making decisions when we are uncertain as to whether the entire organization will follow them or whether employees will share our feelings. But such doubts disappear once you hold the conviction: "I'll go with this idea; everyone will follow me."

Yanagida ◉ By openly communicating the decision making process to the entire Group, employees will be able to share the leader's conviction and ultimately make their own decisions based on that assurance. This is the type of organization I'd like to see JAL become. But in order for this to happen, I think you must work to instill a mindset that will prevent employees from merely following the manuals, especially in younger employees who were raised in the information society. In the Recommendations we indicated that the tendency to "do only what the manual says" is a problem that must be overcome. Instead of dealing only with the job at hand, consideration must be given to how the job is significant to the entire Company. That's why we've been trying to communicate the importance of seeing the forest and mountains beyond just seeing the tree.

Onishi ◉ I remember that point well. I think it's also related to the "second-to-third person perspectives" suggested by the Safety Advisory Group. The "second-to-third-person perspectives" are an essential element of safety culture, combining two people's perspectives in order to, for example, allow for a maintenance crew to possess a second-person perspective so that they can visualize their own family boarding a plane with each bolt they fasten, and the third-person perspective of being a technical expert. Your advice was eye-opening. We intend to develop an educational program for instilling and practicing the "second-to-third person perspectives" especially for younger workers.

Becoming the Leading Company in Safety

Yanagida ◉ In 2009, four years after the Recommendations, we submitted the new Recommendations that emphasized the review and thorough establishment of the "four cultures" including the culture of enhancing manuals and culture of thinking and acting from the "second-to-third person perspectives." At present, are you facing any problems or challenges in any of these areas?

Onishi ◉ We have yet to begin tackling the culture of enhancing our manuals on a full scale. The volume of manuals we already have is enormous, and the first step we must take in this culture is to close the gap between the writers and users of these manuals. While something a worksite might need to refer to may be in a manual, the information may not always be so easy to find. We must also think deeply about what we're trying to convey through a manual. These issues are all a part of what it means to understand "enhancing" manuals. We are therefore going to review our operations, which serve as the basis of the manuals, before we begin to work on the materials. As I declared at the start of the year, these actions will be my duty for Corporate Safety and Security, and I'm committed to seeing them through.

Yanagida ◉ The "leading company in safety" is a key phrase in the Safety Advisory Group's new Recommendations, and I see you have adopted it as the first Management Target in your Medium-Term Management Plan. What will you be working on and how do you intend to communicate your efforts to society?

Onishi ◉ I believe there is nothing more important than human resources in maintaining safe daily operations. Each and every employee who works for the JAL Group must be thoroughly committed to safety, meticulously prepared, and willing to take on challenges to ensure safety. I will continue to do everything I can to ensure this becomes deeply rooted as our corporate culture. I feel that over the years we have been able to thicken our safety layer by learning from the safety practices of other companies. Given the lessons we have learned from the Mt. Osutaka accident and our wealth of experience, I believe we can contribute in some way to the people working in safety-related positions who face similar problems. So in the future, we intend to contribute to society from this perspective as well.

As you have mentioned, safety is a never-ending concern. All our employees stand united with an unwavering commitment to protect the flight safety as we pursue our goal of becoming the leading company in safety in the transportation sector.

1 Safety and Security

Many professionals are at work to ensure the safety and comfort of passengers during flight.

Safety Advisory Group

The JAL Group established its Safety Advisory Group on August 3, 2005 due to the repeated occurrence of safety-related problems even after the Japanese Ministry of Land, Infrastructure, Transport and Tourism (MLIT) issued the company a Business Improvement Order on March 17, 2005.

The Safety Advisory Group is a panel of five experts outside the JAL Group who have extensive knowledge and experience in such areas as human factors, analysis of failure and imperfection, organizational operation and culture, and safety. The group is chaired by Mr. Kunio Yanagida, a nonfiction writer and critic, and meetings are held with JAL management twice a year, where the members check the progress of the JAL Group's safety activities and offer recommendations and advice.

At a meeting held on April 5, 2013, JAL Group management reported on current issues and heard the opinions and valuable advice of panel members about measures that will be implemented in the future.

The JAL Group will reflect the feedback and advice offered by the Safety Advisory Group in group management and safety operations.

Members of the Safety Advisory Group	
Mr. Kunio Yanagida (Chairperson)	Nonfiction writer, critic
Mr. Yotaro Hatamura	Professor at Kogakuin University, Professor Emeritus of the University of Tokyo
Mr. Shinichi Kamata	Professor at the National Defense Academy of Japan
Mr. Shigeru Haga	Professor at Rikkyo University
Mr. Akinori Komatsubara	Professor at Waseda University

Meeting of the Safety Advisory Group and JAL executives

Disclosure of JAL Group Safety Report

Information about the safety-related initiatives of the Group's six air transport companies is disclosed every year in the JAL Group Safety Report in accordance with the rules of Article 111-6 "Release of Safety Report by Domestic Air Carrier" of the Civil Aeronautics Act. The JAL report simply and concisely explains the safety initiatives of these companies.

The JAL Group Safety Report (in Japanese) is available for download from:
http://www.jal.com/ja/flight/safety/report/

Safety Troubles and Measures in FY2012

The JAL Group proactively discloses safety-related information so that passengers can board our flights with peace of mind.

Aircraft Accident*1

Passenger injured by sudden rocking of JAL877 during flight

On November 26, 2012, a passenger onboard JAL877 (Narita to Shanghai Pudong) fractured his right instep when the aircraft encountered turbulence while cruising. The aircraft subsequently landed in Shanghai as scheduled. The incident was classified as an Aircraft Accident by the MLIT.

Causes and Countermeasures:

Japan Airlines is fully cooperating with the Japan Transport Safety Board, which is investigating the cause of the incident. The Company issued a memorandum to inform and alert all internal organizations about this incident. We are also considering flight crew training to improve skills related to meteorological analysis, and installing handles for passengers to use in the event of sudden, unpredictable turbulence. Additional measures may be implemented pending the results of investigations by the Japan Transport Safety Board.

Serious Incident*2

Engine trouble on JAL1471

On October 20, 2012, JAL1471 (Haneda to Matsuyama) experienced a left engine malfunction during climb after take-off. The left engine shut down and the aircraft had to turn back to Haneda Airport. Subsequent inspection confirmed significant damage inside the engine, and the incident was classified as a Serious Incident by the MLIT. None of the passengers or crew was injured.

Causes and Countermeasures:

Japan Airlines is fully cooperating with the Japan Transport Safety Board, which is investigating the cause of the incident. As an immediate measure, the Company issued a memorandum informing all internal organizations about the situation and conducted thorough internal inspections, including an endoscopic examination of engines manufactured during the same period.

*1 Aircraft Accident: Fatal or serious injury of a person as a result of the operation of an aircraft, or an aircraft crash, collision or fire, or damage (requiring major repair) to an aircraft caused during flight, as classified by the MLIT.

*2 Serious Incident: An incident involving circumstances indicating that there was a high probability of an accident, such as overrunning, emergency evacuation, fire or smoke inside the cabin and abnormal depressurization, encountering abnormal weather conditions, etc., as classified by the MLIT.

Runway excursion on JAL2837

On December 25, 2012, after landing at Hanamaki Airport, the nose tires of JAL2837 (Sapporo to Hanamaki) ran off the side of the runway while decelerating and the aircraft came to a halt. This incident was rated a Serious Incident by the MLIT. None of the passengers or crew was injured.

Causes and Countermeasures:

Japan Airlines is fully cooperating with the Japan Transport Safety Board, which is investigating the cause of the incident. As an immediate measure, the Company issued a memorandum informing all internal organizations of the situation and alerting them to the necessary precautions to take during winter operations. In addition, since degraded runway conditions due to snowfall was suspected as a contributing factor in the incident, the Company reminded flight crews of these specific risks and mandated thorough implementation of deceleration methods for avoiding skidding under poor runway conditions.

Number of Safety-Related Incidents

In brackets: number of incidents per 1,000 flights

Type of Incident	FY2010	FY2011	FY2012
Aircraft Accident	1 (0.003)	1 (0.003)	1 (0.003)
Serious Incident	2 (0.005)*1	1 (0.003)*1	4 (0.011)*1
Irregular Operation*2	81 (0.213)	58 (0.160)	69 (0.194)
Safety-Related Issue*3	307 (0.808)	258 (0.740)	276 (0.776)
Total Annual Flights	380,154	348,815	355,489

*1 JAL was included in this count in relation to Serious Incidents caused by aircraft operated by other carriers in one of the two incidents in FY2010, the incident in FY2011 and two of the four incidents in FY2012. No issues were raised with regard to JAL Group aircraft in these incidents.

*2 Irregular Operation: Incidents resulting in a flight schedule change, such as a change of the flight destination. When a malfunction occurs in part of the multiple systems of an aircraft, the aircraft is turned back to ensure maximum safety after the flight crew has completed actions in accordance with the flight manual. In general, these incidents do not pose any immediate risk to flight safety.

*3 Safety-Related Issue: Legally mandated incident reports to the MLIT under regulations that went into effect on October 1, 2006 (Civil Aeronautics Act, Article 111-4; and the Ordinance for Enforcement of the Civil Aeronautics Act, Article 221-2 (3) and (4)). Such incidents include aircraft damage caused by lightning or bird strike, and situations in which the TCAS (Traffic Collision Avoidance System) is activated and appropriate avoidance maneuvers are subsequently undertaken. In general, these incidents do not immediately result in an aircraft accident.

JAL Group Safety Education

This educational program for all JAL Group employees is intended to cultivate "safety professionals" and was developed with the cooperation of many people, including members of the Safety Advisory Group. It is designed to raise awareness of safety in daily operations by having participants observe wreckage from Flight 123 and watch videos of interviews with bereaved families and other related persons. Through these activities, participants learn about the accident and are encouraged to reflect on and form an emotional attachment to the event so that they more deeply consider what must be done in the context of maintaining safe operations. They also compose their own safety pledges to ensure their commitment to safety in daily operations.

The program was launched at the end of October 2012 and 5,800 employees have completed the training as of March 31, 2013.

* On August 12, 1985, JAL Flight 123 took off from Haneda Airport bound for Itami (Osaka). During the flight, the aft pressure bulkhead was ruptured and the pressurized air in the cabin blew out into the aft fuselage, causing the vertical stabilizer to break off and severing all hydraulic systems, which rendered the flight control surfaces inoperable. The aircraft continued to fly for about 32 minutes before crashing into the south ridge of Mount Osutaka. A total of 524 passengers and crew were on board, and the accident resulted in 520 fatalities and four heavily injured survivors.

Safety Education Facilitator

Safety education is about teaching the heart to feel. It was not always easy getting across why it was necessary to revisit and learn from the Flight 123 accident in order to maintain safe operations. At the same time, I learned a lot by repeatedly providing this education.

We work in an environment that affords few opportunities for direct contact with our customers, separated from us by the cockpit door. It was an invaluable experience for me to witness participants at the Safety Promotion Center break into tears at the sight of messages that victims wrote on the aircraft and images of the loved ones they left behind. I am convinced that if all our employees apply what they learned from this education in their respective workplaces, it would dramatically thicken our "safety layer" and nurture a safety culture that cannot be matched by any other airline company.

Masahiko Yoshimatsu
Captain, 787 Flight Crew

Safety and Security

Flight safety is the very foundation and social responsibility of the JAL Group. We believe our goal of becoming the leading company in safety can only be attained by providing safety with security. Here are some of our programs designed to ensure that all our customers can safely enjoy their flights.

Becoming a JAL that is Friendly to Everyone

We aspire to provide products and services that ensure a safe and comfortable flight for every passenger on JAL Group flights, from small children to elderly customers and customers who require special assistance, by fulfilling the "Friendly JAL = Universal Design"* initiative, which embodies our spirit of hospitality.

We offer universal design in the sense of both "hardware," such as Domestic Class J Seats and desks at the JAL Smile Support Counters for customers requiring assistance, and "software," including the 14 special international in-flight meal options for passengers with allergies or health conditions. Furthermore, we strive to deliver "universal design for the heart" that is born in the hearts and actions of each employee by training them through a program of simulated experiences.

* A concept for the development of "design that is easy for everyone," regardless of age, physical capability or environmental conditions.

Priority Guest Support

The JAL Group refers to customers with reduced mobility or who are sick or injured as "Priority (Preferred) Guests," serving them with precedence over other customers.

In 1994 we launched the Priority Guest Center as the first of its kind in the airline business in Japan, and it has subsequently handled a wide range of situations. The center's experienced staff members are on standby to respond with care to customer needs.

- Transport of the Japan national team participating in the London Paralympics Games 2012
- Transport of passengers who will undergo an overseas heart transplant operation
- Medical transportation of pediatric patients using stretchers
- Joint Priority Guest operations with American Airlines and British Airways

Passengers with walking disabilities

Physically challenged passengers requiring an assistance dog

JAL Smile Support (Domestic Flights)

The JAL Group has a dedicated support desk for customers requiring assistance on our domestic flights. We provide various types of assistance to ensure comfortable trips for as many customers as possible, including pregnant women, children, the elderly and passengers requiring the use of a wheelchair.

Mother and Baby Travel Support Guide

Baby Travel Support Service Assisting passengers traveling with babies or infants	**Expectant Mother Travel Support Service** Assisting pregnant passengers to travel in comfort
Kids Travel Support Service Assisting children traveling on their own	**Senior Citizen Travel Support** Assisting elderly passengers

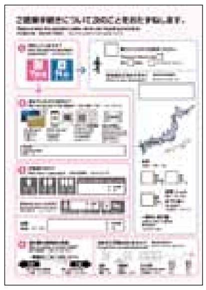
Highlights

Joint Development with Customers

We worked on a joint development project to implement suggestions for improvements that had been proposed by a hearing impaired high school student (currently attending university).

Sign Language Badge

Worn by cabin crew members proficient in sign language



Communication boards (domestic flights)

Drink menu cards

"After spending a year on this effort with the people at JAL, I was overwhelmed with tears when it finally took shape. This has made me feel secure when I travel by air. Thank you so much."

Ayaka Inoue, proposer

Activities that Meet Society's Expectations Through the Airline Business

The JAL Group readily utilizes its business operation as an air transport provider to support relief efforts in times of disaster around the world. Coordinating closely with the government and other non-profit organizations such as Japan Platform, JAL established a system to speedily provide air transport of relief supplies and personnel to affected areas.

* For a report on the JAL Group's emergency support following the Great East Japan Earthquake, see page 41.

2 Nurturing the Next Generation

The JAL Group strongly hopes that children will have dreams to pursue for the future, and supports their future through programs for children of diverse age groups.

JAL SORAIKU

"JAL SORAIKU" is a collective term for the educational programs organized and conducted by the JAL Group for nurturing the next generation. We offer introductory courses on subjects such as jobs related to air travel and JAL initiatives for participants from pre-school children to adults.


JAL Sky Eco: Talks on Environmental Issues


JAL Origami Hikoki: Fun Paper-Aeroplane Activity

	JAL Origami Hikoki: Fun Paper-Aeroplane Activity	JAL Sky Eco: Talks on Environmental Issues	JAL Career Talk for Students	JAL Safety Demonstrations by Cabin Attendants	JAL Professionals Interviewed by Students
Age group	Six years old and older	Elementary schoolchildren (from third grade), junior high school students, high school students, college students (adult-only class available)	Junior high school students, high school students	Junior high school students, high school students	Junior high school students, high school students
Format	Onsite course	Onsite course	Onsite course	JAL Haneda facility	JAL Haneda facility
Time required	90 minutes	90–120 minutes	60 minutes	60 minutes	40 minutes (including 20 minutes of travel)
Number of courses per month (in general)	3	3	2 (arranged by job)	2	4
Number of participants per course	30 to 100	30 or more	30 or more	20 to 50	3 to 15

For more details on JAL SORAIKU, visit: **http://www.jal.com/en/soraeco/**

Tour of the JAL Aircraft Maintenance Center

The JAL aircraft maintenance center adjacent to Haneda Airport offers factory tours so that people can observe aircraft maintenance. Participants listen to an overview presentation on aircraft before having a guided tour to see maintenance work in the hangar. The factory welcomed more than 90,000 visitors in FY2012.

Cooperation with UNICEF

In 1991, JAL launched the "Change for Good®" fundraising campaign for UNICEF on its flights between Tokyo (Narita) and New York to collect leftover foreign coins from passengers. The campaign was expanded in 2006 to all international flights operated by JAL. Coins collected through this initiative are donated to support UNICEF activities for protecting children's lives, health and rights. As a member of the Steering Committee for UNICEF's Foreign Coin Collection Program, we also provide support by transporting foreign coins collected on flights through this campaign and on the ground in Japan to different countries for free.

Highlights

JAL Scholarship Program – Human Resources Development Distinctive to JAL

The JAL Scholarship Program invites college students from across Asia and Oceania to Japan every year and provides them with opportunities for workshops and cultural interchange. Through these activities, the program aims to enhance the students' understanding of Japan and promote mutual understanding beyond national borders. Another program goal is to develop young men and women who will assume future leadership roles in the region.

The JAL Scholarship Program was launched in 1975 by JAL. When the JAL FOUNDATION* was established in 1990, it took over the management of the program.

To date, 1,471 students have participated, and many program graduates have gone on to make their marks around the world.

* Currently the JAL Foundation, Public Interest Incorporated Foundation.

JAL Group Human Resources Development

Nurturing human resources to keep JAL flying into the future is our key Group mission.
We are actively developing human resources for the next generation, which will embody the JAL Group Corporate Policy by practicing the JAL Philosophy.

JAL Philosophy Education

JAL Group employees are engaged in continuing education through courses that deepen their understanding of the JAL Philosophy and encourage its ongoing application for solving problems and taking action. As a result, they become united by mutual trust in a company that contributes to the betterment of society. The courses are facilitated by employees with experience as flight crew members, cabin attendants and mechanics who belong to the Work Philosophy and HR Development section.

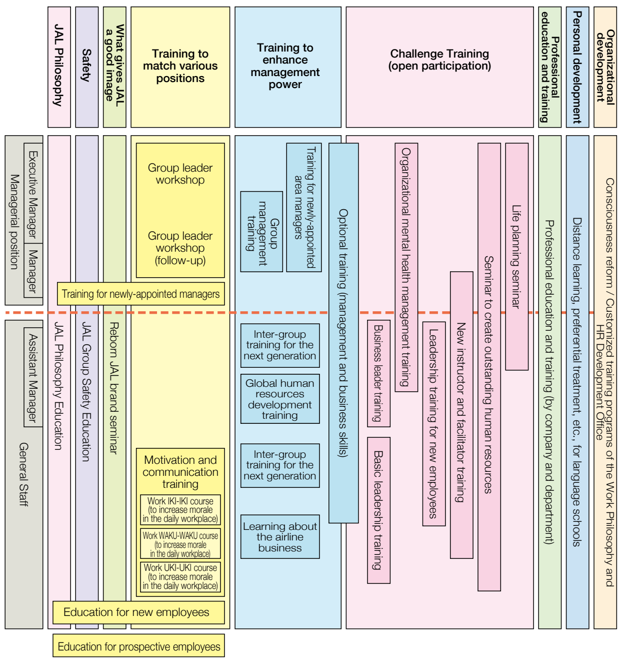
The JAL Philosophy pocketbook is carried by all employees. Each statement of principle is accompanied with a short explanation.

JAL Group Basic Education and Training System

The "JAL Group Medium Term Management Plan for Fiscal Years 2012–2016" identifies "Human Resources Development" as a Key Initiative, under which we have been implementing a variety of action plans.

We established a common basic education and training system for the JAL Group in FY2012 aimed at developing leadership as well as safety and service professionals. In addition to position-based training (e.g., "education for new employees" and "training for newly-appointed managers"), we also established organization-wide programs such as "training to enhance management power" for improving management and business skills (e.g., "inter-group training for the next generation" and "global human resources development training") and "training for understanding challenges" (open participation). Full-scale implementation of this system began in FY2012. We also provide a broad range of personal development programs.

JAL Group Basic Education and Training System



Moreover, each department at every JAL Group company is responsible for conducting specialized professional education and training programs to provide employees with the knowledge and skills they need in their particular fields of expertise, thereby furthering our goal of delivering the best service.

We will address the task of maximizing the effectiveness of our education and training through enterprise-wide program management by utilizing the JAL Education and Training Center, established in April 2012.

Highlights

JAL Group New Employee Training for FY2013

For the first time since the founding of JAL, all 20 companies of the JAL Group collaborated in conducting new employee training. During the four-day period starting April 1, 2013, 497 new employees learned about the Group's fundamental values and principles, including the JAL Group Corporate Policy and JAL Philosophy.

Program

- Being a JAL employee
- History of the JAL Group (including corporate bankruptcy)
- Valuable lives are entrusted to us in our work (safety and the flight 123 accident)
- Putting ourselves in the customer's position (learning about the JAL brand)
- Compliance initiatives
- "Gambaru JAL Daisakusen" ("Keep going! JAL" activity) (directly expressing our gratitude to customers)

3 The Environment

JAL Group promotes “Sky Eco” for a Greener Tomorrow.

Environmental Guidelines and Action Plan

We have placed the control of our environmental impact and the protection of the environment as core themes in our business operations, and create action plans for these areas. Our philosophy and dedication toward them are set out in the 2012 “Environmental Guidelines” and “Action Plan.”

Our Eco-First Commitment

In 2010, the JAL Group made an “Eco-First” commitment to renew its efforts for preserving the global environment and received certification as an “Eco-First Company” from the Ministry of the Environment of Japan.

Environmental Guidelines

As an airline transportation company that is an important social infrastructure, we are conscious of the fact that we have a responsibility to the global environment, and as such, the JAL Group has placed the control of our environmental impact and the protection of the environment as core themes in our business operations, as we continue to implement “Sky Eco,” so we will be able to pass this rich earth on to the next generation and they will always be able to see the beautiful earth from the sky.

Action Plan 1 We actively conduct initiatives to prevent global warming.

Commitment	Status
We are working to reduce CO_2 emissions per revenue-ton-kilometer from JAL Group aircraft by 23 percent in 2020 as compared to 2005 level.	• CO_2 emissions per revenue-ton-kilometer for FY2012 declined by 11.2 percent from FY2005 levels. • We achieved our target of 1.5 percent average annual improvement (average figure for FY2005 to FY2012).
We are upgrading our fleet to lower fuel consumption and low noise aircraft (e.g., Boeing 787, 737-800 and Embraer 170).	• We introduced 15 lower fuel consumption aircraft (787-8, 737-800 and E170), and retired all 10 MD90 aircraft introduced during the 1990s. • We began performance improvement modifications on 777-200ER aircraft and decided to attach winglets (small attachments to wing tips that reduce drag) on our 767-300ER aircraft.
We are conducting “Eco Flights.”	• We achieved annual reductions in CO_2 emissions of approximately 38,000 tons, mainly through implementing 5 “Eco Flight” activities: engine out taxi, idle reverse, reduced flap, delayed flap and delayed gear.
We are endeavoring to reduce weight.	• We conducted an exhaustive weight reduction effort between FY2005 and FY2010, and have already completed work on items with significant benefits. • We are maintaining ongoing efforts such as the introduction of lightweight cargo containers.
We are cutting CO_2 emissions by washing engines and pursuing other methods of CO_2 reduction.	• We implemented engine water washing at intervals of 200 days to 300 days for the 777 aircraft (PW4000), 767 aircraft (CF6) and 737-800 aircraft (CFM56). Result: Annual CO_2 emissions were reduced by approximately 14,000 tons. • We shortened APU (auxiliary power unit) usage time for 777 aircraft and 737-800 aircraft (annual reduction in CO_2 emissions: approximately 2,000 tons).
We work together with the associated ministries and aviation authorities such as air traffic control in various countries to introduce leading methods for fuel efficient aviation, and will actively continue to do so in the future.	• We are adopting advanced flight operation methods. • We have implemented CDO (Continuous Descent Operations) at San Francisco International Airport and Kansai International Airport. • We have been operating UPR (User Preferred Route) on flights to Hawaii, Australia and the West Coast of North America (Los Angeles, San Francisco and Vancouver). • Estimated annual reduction in CO_2 emissions: around 3,000 tons.
We are collaborating in the research and development of aviation biofuel made from inedible plants.	• We conducted a biofuel demonstration flight in January 2009 and have been exploring the possibility of using biofuel on commercial flights by exchanging information with the IATA, ICAO, authorities, manufacturers, research institutions, universities, etc. • We are planning an active effort toward the full-scale introduction of biofuel by around 2020 despite continuing concerns over its economic efficiency and sustainable production capability.
We promote energy saving activities in our ground facilities (offices, factories, etc.).	• We have consolidated facilities by rationalizing maintenance facilities, conducted various energy-saving activities and upgraded to electricity-saving lighting in offices.

Action Plan 2 We actively promote social and environmental activities and environmental awareness activities.

Commitment	Status
By continuing to conduct environmental and social activities, we are able to contribute to long-term conservation of the environment, and we strive to improve the environmental awareness of children who will lead the next generation, as well as all of society and our own employees.	• Our flight crew took the initiative to derive and put into practice organizational solutions for environmental problems in the area of flight operations. Captains have been offering environmental awareness seminars (Sky Eco classes) for children (46 times a year). • We contributed to reducing CO_2 emissions with cooperation from passengers by implementing the “Shades Closed Exercise” and improving on-time performance (currently the world’s top).
We will continue to participate in the atmosphere observation project and the forest fire reporting project using our aircraft.	• We have been participating in the “CONTRAIL Atmospheric Greenhouse Gases Observation Project by Passenger Aircraft” (see page 40). • We have been participating in the “Siberian Forest Fire Reporting Project.” Since 2003, pilots have been reporting any fires detected during summer flights over Siberia to a research team led by Hokkaido University in a cooperative research effort on early fire detection by satellites (103 fires were reported during 2012).

Action Plan 3 We work toward the realization of a recycling-based society and for the preservation of the environment.

Commitment	Status
Ultimately we are aiming for a disposal rate of less than 2% for industrial waste from domestic worksites.	• Total waste volume rose 47% year-on-year, mainly due to considerable increases in waste related to maintenance (caused by facilities reorganization, the volume of maintenance such as aircraft repair, etc.) However, as a result of recycling efforts, the final disposal rate was 0.9% for FY2012, thereby achieving our target (less than 2%).
We work to reduce water usage.	• Water usage was reduced as smaller aircraft required less water for cleaning, overall cleaning decreased as a result of a decrease in the number of engines and landing gears requiring maintenance, and wastewater was reused (106,000 m^3).
We work to reduce the amount of emissions of chemicals (governed by the PRTR Act).	• Use of PRTR substances decreased both in type and volume due to the introduction of maintenance materials with lower impact on the human body and the environment. • The total volume of chemicals handled fell 5% year-on-year to 58 tons.
We work to recycle uniforms and items used in aircraft cabins such as in-flight magazines, newspapers, aluminum cans, plastic bottles and cargo packing materials.	• We actively recycled beverage cans, newspapers, in-flight magazines and plastic bottles. We are promoting comprehensive efforts to dispose of in-flight waste in collaboration with IATA and other airline companies. • Total amount of recycled waste in FY2012: 1,245 tons.

Action Plan 4 We work to conserve the environment around airports.

Commitment	Status
We actively introduce low-noise aircraft and noise abatement operational procedures, and respond to other airport noise issues.	• We actively practice "Reduction of Noise at Source" and "Noise Abatement Operational Procedures" as responsibilities of airlines under the "Balanced Approach" recommended by the ICAO. JAL aircraft are compliant with ICAO Chapter 4, the most stringent standard for noise. • Under the "Noise Abatement Operational Procedures," we practice noise abatement procedures at take-off and operate under more stringent rules when taking off from Tokyo International Airport (Haneda) and Osaka International Airport (Itami). • As for noise abatement procedures upon landing, we practice reduced flap, delayed flap and idle reverse., At San Francisco International Airport and Kansai International Airport., we also conduct CDO (continuous descent operations) to reduce both noise and CO_2 emissions significantly. • We received the "8th Annual YVR Fly Quiet Award" from the Vancouver Airport Authority for the third consecutive year in recognition of our noise abatement operations.
We work to reduce NOx emissions from aircraft, automobiles, etc. (NOx, HC, CO and other aircraft engine emissions are strictly regulated by the ICAO. Similar restrictions have been established under Japan's Civil Aeronautics Act. NOx emission restrictions are particularly stringent.)	• All JAL aircraft engines are compatible with the ICAO's CAEP6 and CAEP8 standards (the applicable standard differs depending on when a plane's Certificate of Airworthiness was issued).

Action Plan 5 We give due consideration to biodiversity.

Commitment	Status
We convey to customers and society at large the importance of biodiversity and follow the "JAL Group Policy on Biodiversity" in our business operations.	• We formulated the "JAL Group Policy on Biodiversity" in recognition of the fact that the JAL Group's air transport business may indirectly impact biodiversity.
We take part in the "United Nations Decade of Biodiversity" initiative. In addition, we promote activities that convey the importance of protecting the natural beauty of Japan, including cranes, etc.	• We painted the "United Nations Decade of Biodiversity" logo on our aircraft, sponsored a photo contest on the theme of the Japanese red-crowned crane, contributed to the "Endemic Rabbit Trust" (JAL Endemic Rabbit's Forest) and served certified coffee on our flights in consideration of biodiversity.

Highlights

Green Activities with the Cooperation of Passengers – Shades Closed Exercise

Since 2009, the JAL Group has continued to implement and improve the practice of shutting the window shades of parked aircraft to prevent interior temperatures from rising during the hot period between spring and autumn in an effort to reduce air conditioning and in turn lower energy consumption and CO_2 emissions.

We ask passengers to cooperate by closing the shades before deplaning, since the longer the shades are shut the more effective* the exercise will be.

As an operator of public transport used by many people, the JAL Group believes it has an important role to play in conducting green activities with the cooperation of passengers.

* At Haneda Airport, we can reduce the CO_2 emissions of a Boeing 777 aircraft by more than 1,000 kilograms by switching from air conditioning requiring an energy-consuming APU (auxiliary power unit) to ground-based power units for 10 minutes.

CO_2 Emissions by JAL Group Aircraft

In FY2012, CO_2 emissions by JAL Group aircraft per unit transport volume (revenue-ton-kilometer) were reduced by 11.2% compared to the FY2005 level. While total CO_2 emissions increased by 530,000 tons from the previous fiscal year due to expansion of our operations, CO_2 emissions per unit transport volume remained more or less flat due to the introduction of new aircraft such as the Boeing 787 and to efficient flight operations and the efficient use of fuel achieved by regular cleaning of engines.

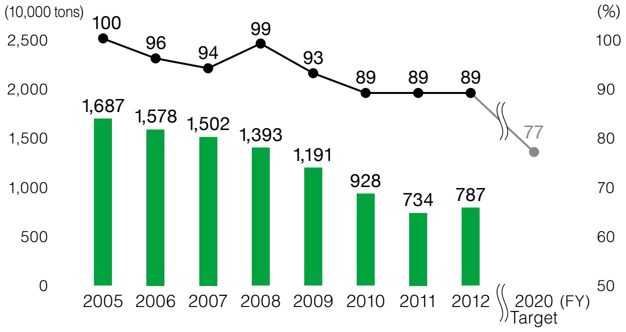
CONTRAIL Atmospheric Greenhouse Gases Observation Project by Passenger Aircraft

The JAL Group began participating in an atmospheric greenhouse gases observation project 20 years ago as a means of contributing to society in a way that only airline companies are capable of. The project was launched with research institutions in 1993 and JAL aircraft commenced observations. In 2005, the project was reorganized as CONTRAIL*, the world's first long-term observation project with automatic air sampling equipment on passenger aircraft, jointly undertaken by Japan's National Institute for Environmental Studies, the Meteorological Research Institute, JAMCO Corporation, the JAL Foundation and Japan Airlines. We are currently conducting research for measuring the atmospheric concentration of CO_2 and monitoring long-term changes in the global environment from our six Boeing 777-200ER aircraft, and a vast quantity of 3 million data points have already been gathered from more than 7,000 flights. The project received the "Environment Minister's Award" and "Environmental Excellence Award" under the Environmental Awards for FY2013, sponsored by the Hitachi Environment Foundation and others.

* CONTRAIL: Comprehensive Observation Network for Trace gases by Airliner

The CONTRAIL project logo is painted on JA707J aircraft carrying the observation equipment.

▶ CO_2 Emissions



Activities for Preserving Biodiversity

Following the "International Year of Biodiversity" in 2010 and COP10 held in Nagoya, Aichi Prefecture that same year, the JAL Group improved its understanding of the importance of biodiversity and the rich diversity that sustains the air transport business, and consequently formulated the "Biodiversity Policy of the JAL Group." We have also pursued a number of activities to raise public awareness. We painted the "COP10" and "United Nations Decade on Biodiversity (UNDB)" logos on our aircraft, provided information through in-flight video and magazines, and sponsored a photo contest on the theme of the Japanese red-crowned crane. This year we also contributed to the Endemic Rabbit Trust, and along with our support for efforts under the UNDB, we continue to engage in activities for protecting Japan's natural beauty and communicating its value.

JAL Eco Jet "Nature" is decorated with images of endangered species.

空のエコ

地球とともに

Logo mark depicting endangered species

Photo: Ask

Photo: Mamoru Tsuneda

We seek to communicate Japan's natural beauty and the plight of endangered animals to a broad public audience through activities such as our sponsorship of a photo contest on the theme of the Japanese red-crowned crane and support for the Association of National Trusts' campaign to protect the natural habitat of endemic rabbits on Amami Oshima island.

4 Bridging Japan and the World

We will bridge Japan and the world as the "'Wings of Japan"' and as a network carrier that contributes to the revitalization of Japanese industry and the regional economy while enhancing mutual understanding in the international community.

JAPAN PROJECT

Since May 2011, JAL has been undertaking the JAPAN PROJECT to revitalize regional communities by communicating the splendors of Japan.

The JAPAN PROJECT involves collaborating with local governments and companies to attract tourists and publicize local products. We use every tool at our disposal for this, including in-flight magazines, onboard videos, in-flight meals and the JAL Group website to introduce the appeal of each region and promote exchange. The project focuses on a single region each month and reveals its attractive features from a variety of angles.

The JAL Group will steadfastly strive to spark demand for tourism through our own business operations and by revitalizing regional communities.

Tohoku Cotton Project

The Tohoku Cotton Project was launched in 2011 as a collaborative effort involving about 70 organizations, including agricultural corporations in the Tohoku region affected by the Great East Japan Earthquake and companies affiliated with the apparel industry. The goal of this project is to help the agricultural industry recover from the damage caused by the tsunami and create new industries and jobs by planting and spinning cotton, developing commercial products and selling them through a cooperative effort.

As we studied biodiversity, the JAL Group also learned the importance of living in harmony with nature. The Tohoku Cotton Project addresses the challenge of restoring Tohoku's abundant nature from the scars left behind by the earthquake, alongside fishing and agricultural industries that had been living in harmony with nature only to be lost as well. JAL embraces with this idea and extends its support through the voluntary participation of employees, such as planting the cotton, and through the commercialization and adoption of products as items that customers can obtain in exchange for mileage.

Activities that meet society's expectations

- Community activation by promoting tourism
- Visit Japan
- Campaign for hosting the 2020 Olympics in Tokyo
- Recovery support following the Great East Japan Earthquake
- Promotion of cultural exchanges
- Assistance with art transport
- Joint programs with the JAL Foundation

Emergency Assistance After the Great East Japan Earthquake

After the Great East Japan Earthquake struck, we immediately set up an earthquake response headquarters headed by the president and concentrated all our resources into the Tohoku region to expand our transport capacity to and from the affected region. By July 24, 2011, we had operated a total of 2,674 flights to the Tohoku region and used larger aircraft for 556 flights, transporting more than 200,000 people in total. At the site of the disaster in Sendai Airport, which had been isolated by the tsunami, JAL staff worked around the clock to ensure the safety of as many as 2,000 victims, including elderly citizens who had sought refuge at the airport. In addition to these efforts, we provided free flights for 5,405 relief workers and free transportation of approximately 91 tons (via international flights) and approximately 15 tons (via domestic flights) of supplies, donated approximately 156 million yen in mileage through the cooperation of 12,875 customers to the Central Community Chest Organization of Japan, and handed over approximately 4 million yen collected through service counter donation boxes and approximately 18 million yen from our employees.

Partnership with Business Associates

We work in concert with business associates, our valued partners who help keep JAL flying, in order to provide safe and comfortable flights.

Recognizing that our flight operations, services and products are made possible through the cooperation and support of our business associates, we strive to establish solid partnerships of mutual trust, not only through fair and transparent procurement, but by maintaining a sense of gratitude.

Fair and Transparent Procurement

When we select business associates, we take full consideration of their service and product quality, pricing and delivery times, as well as overall reliability and ongoing CSR (corporate social responsibility) efforts.

Since August 2010, we have been centralizing procurement operations in the Japan Airlines Purchasing Department. We have sought to provide excellent opportunities for business associates in Japan and abroad and to consistently maintain fair and transparent procurement practices.

Our goal for centralized procurement also includes cost reduction and standardization as well as higher efficiency in the operational process of procurement.

Providing Safe and Comfortable Service to Passengers

To ensure the comfort of all passengers aboard our flights, we are working with our business associates to nurture a culture in which the highest priority is placed on safety while also promoting thorough quality control to offer premier hospitality.

Promoting Procurement Activities with Due Consideration of Corporate Social Responsibility

In accordance with the Basic CSR Policy of the JAL Group, we are working with our business associates to promote procurement activities with due consideration of CSR, including legal compliance, protection of the global environment, respect for human rights, proper labor practices, fair operating practices and consumer issues.

Partnership with Business Associates

Masaki Saida

Executive Vice President
Executive Divisional Director,
Corporate Planning
Narita International Airport
Corporation (NAA)

Since our airport opened in 1978, Japan Airlines has consistently used it as a base station for international operations and has established an extensive international air services network connecting Narita with the rest of the world. JAL's dramatic and successful business turnaround to start anew as a public listed company is a most welcome event for our company as well. We are proud of our association, and we sincerely hope JAL's Narita-based network will continue to expand.

JAL has contributed significantly to our Eco-Airport Master Plan, an initiative for reducing environmental impact which we are advancing in collaboration with airport-related companies. As part of JAL's efforts, it has been successful in reducing CO_2 emissions by purchasing fuel-efficient aircraft such as the 787 and by actively promoting the use of GPUs (ground power units).

The relationship between airlines and airports is remarkably close. As good business partners, we should continue to understand each other's business objectives and initiatives in order to work together for our mutual growth and development, which in turn will lead to a better society.

Yuichi Katayama

Executive Director and
Executive Officer
Oriental Land Co., Ltd.

Tokyo Disney Resort is celebrating its 30th anniversary from April of this year.

Japan Airlines has been an official sponsor since the park opened and continues to bring us many guests from all over Japan every year. We have enjoyed a long-standing, valuable partnership with JAL.

Our guests' "journey" begins before they arrive at our park, and we work alongside JAL's outstanding service to create unforgettable memories for our guests.

"Happiness" is the theme of Tokyo Disney Resort's 30th anniversary.

On March 29, JAL began operating the "JAL Happiness Express," and it thrills me to imagine "Happiness" soaring through Japanese skies.

We look forward to working side-by-side with JAL in a partnership that consistently brings "Happiness" to our many guests.

Corporate Governance

We have established and actively implement our Basic Corporate Governance Policy to enhance management transparency and monitoring.

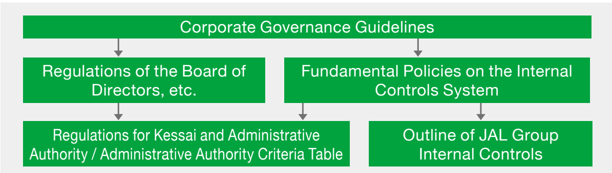
Our Basic Corporate Governance Policy

We have established the "JAL Philosophy" under the JAL Group Corporate Policy as a set of company guidelines on proper conduct. The JAL Philosophy guides our efforts to increase corporate value and maintain accountability through a corporate governance structure that produces high management transparency and robust monitoring while also facilitating rapid, focused decision making.

Corporate Governance Guidelines

The Board of Directors has established corporate governance standards by adopting Corporate Governance Guidelines as a key set of rules to supplement the Companies Act, related laws and regulations, and our own Articles of Incorporation. The Board reviews the Corporate Governance Guidelines at least once a year. Directors strive to realize our corporate policy by putting the JAL Philosophy into practice and reporting on the progress of implementing the philosophy at Board meetings. These Corporate Governance Guidelines have been made available to the public via our website so that stakeholders—including customers—can readily refer to and understand the JAL Group's corporate stance.

http://www.jal.com/en/outline/corporate/governance.html



Board of Directors

The Chairman of the Board of Directors chairs meetings of the Board to clearly separate management monitoring and business execution functions.

As of July 2012, the Board of Directors is composed of seven members, five men and two women. We have also appointed two External Directors, Tatsuo Kainaka and Kimie Iwata. Kainaka offers a wealth of experience, accomplishments and deep insight in the areas of corporate governance and legal affairs based on extensive knowledge accumulated over his long career in the judicial system. Iwata brings a wealth of experience, accomplishments and deep insight related to supporting the professional development of women and corporate social responsibility gained through her extensive experience with government and corporate management. We believe that having both of them as External Directors provides significant benefits to JAL Group management.

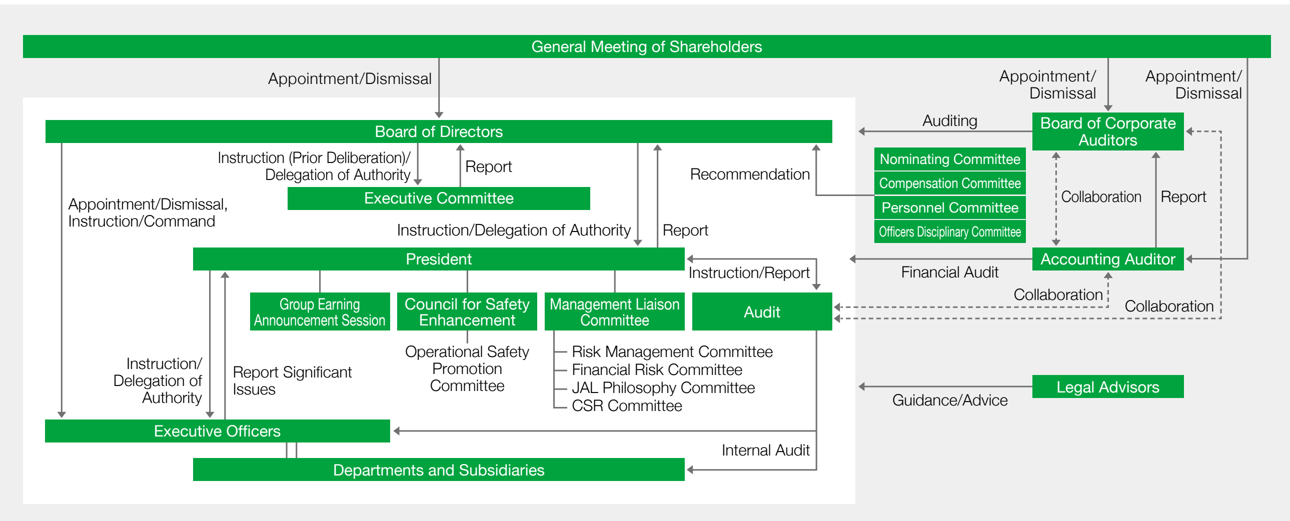
Directors receive legal guidance to ensure they are aware of their formal duties, including the fiduciary duty of loyalty and the due care of a prudent manager. Directors serve one-year terms, confirming their role and accountability each fiscal year.

Board of Corporate Auditors

As a company with auditors, we are seeking to strengthen our auditing system by appointing three External Audit and Supervisor Board Members out of a total of five auditors. External auditors are appointed on the merits of their extensive knowledge of and experience in a wide range of fields. Together with the other auditors, the external auditors work closely with the Internal Auditing Department and corporate auditors to ensure sound management by conducting audits from a neutral and objective standpoint.

Committees

The JAL Group has established a Nominating Committee, Compensation Committee, Personnel Committee and Officers Disciplinary Committee to enhance management transparency.



Internal Controls System

Current Internal Controls System Environment

The JAL Group establishes the "Fundamental Policies on the Internal Controls System" according to the regulations of the Companies Act and observes these laws in order to ensure the reliability of the financial reports as well as the effectiveness and validity of our operations. The board of directors' meeting held on March 28, 2012, decided the following "Fundamental Policies on the Internal Controls System."

Fundamental Policies on the Internal Controls System

1. Regarding the system to ensure compliance with the Articles of Incorporation and the laws and regulations governing the execution of the duties of the director
- We established "Corporate Governance Guidelines" and set up a corporate governance system that will demonstrate high management transparency and promote a strong management monitoring function in order to ensure the proper maintenance of the internal controls system.
- We established "JAL Philosophy" as conduct guidelines of our company. The directors are encouraged to abide by these practices.
- The board of directors decides the "Fundamental Policies on the Internal Controls System," and the general affairs department promotes the maintenance of the internal controls system.
- The general affairs department supervises compliance operations and monitors the operations situation and maintenance of related regulations.
- We have set up an inspection system to ensure the duties of the directors are executed in compliance with relevant laws and regulations.

2. Regarding the system related to the management and preservation of information related to the execution of the director's duties

We manage and properly preserve the information related to execution of duties according to relevant laws and regulations and company rules.

3. Regarding other official regulations systems related to the management of the risk of losses

In order to manage the risk of the entire group, we have established a "Council for Safety Enhancement," a "Risk Management Committee," and a "Financial Risk Committee" to prevent losses by consistently monitoring the appropriateness of duties, establishing the "Outline of JAL Group Internal Controls," alongside managing the risks appropriately. In addition, we plan to minimize loss by corresponding on all levels when a danger of loss does happen to occur.

4. Regarding the system to ensure the execution of the director's duties is effectively carried out
- We hold a monthly board of directors' meeting and additionally, hold provisional meetings when important decisions regarding group management policies and plans need to be decided. In addition, to ensure the effective execution of the directors' duties, we have installed meeting bodies such as the "Executive Committee" and "Earnings Announcements Sessions."
- In accordance with company rules, we have segregated authority in order to maintain effective execution of duties, and determined the division of duties, authority of managerial posts and authority of duties.

5. Regarding the system to ensure employees execute their duties in compliance with relevant laws and regulations and the Articles of Incorporation.
- We have established "JAL Philosophy" as conduct guidelines of our company and encourage employees to put them to practice.
- The general affairs department promotes the maintenance of the internal controls system.
- The general affairs department oversees operations related to compliance and monitors the operations situation and maintenance of related official regulations.
- We have set up an inspection system to ensure the employees execute their duties in compliance with relevant laws and regulations.

6. Regarding the system that ensures business appropriateness in the corporate group

We established "JAL Group Business Management Official Regulations." Each company in the group ensures that the system is used to effectively and justly carry out management based on the "JAL Philosophy." In addition, the "Outline of JAL Group Internal Controls" is enacted and continuously monitors the appropriateness of duties.

7. Regarding matters related to the employees concerned in the event that auditors request that employees be appointed to assist in their duties

We appoint employees (auditing staff) to establish an organization independent from the directors to increase the effectiveness of the auditor's inspection and perform auditing duties smoothly.

8. Regarding matters related to the independence of the aforementioned employees from the directors

The auditing staff is appointed with the approval of the auditors and receives instructions and orders from the auditors.

9. Regarding the systems for employees and others to report to the auditors
- By establishing a corporate governance system, we strengthen the management monitoring system of directors and employees by the auditors.
- We ensure the system and the opportunity for the director and employees to appropriately report to the auditors.
- We request that auditors attend meetings of the board of directors and other important meetings, and forward important circulars to the auditors. In addition, we report the circumstances on the execution of duties and all important matters on company management and business operations to the auditors.

10. Regarding the other system to ensure the effectiveness of the board of auditors and the auditors' inspection
- We establish the system in accordance with the inspection plan devised each year by the auditors in order to effectively implement the inspection.
- The directors, employees, the directors of each group and the auditing group all exchange opinions with the auditor.

* "Employees" refers to the executive officers and trained staff.

Risk Management System

The JAL Group manages risks by dividing them into three categories: (1) operational risks associated with aviation safety, air navigation safety and other issues related to air transportation; (2) corporate risks associated with management in general, excluding risks related to air transportation; and (3) strategic risks associated with business management that may have a material impact on corporate revenue and expenditures.

With respect to aviation safety, we have established a Council for Safety Enhancement chaired by the president of Japan Airlines Co., Ltd. and composed of Directors appointed by the President and the Presidents of Group airline companies. We have also established the Operational Safety Promotion Committee under the Council for Safety Enhancement, headed by the General Manager of Corporate Safety & Security of Japan Airlines Co., Ltd. Membership includes the Vice Presidents of the Safety Management Departments and board members in charge of safety of Group airline companies. The Operational Safety Promotion Committee monitors and evaluates the safety management system based on the status of flight operations. By formulating and evaluating the plans, policies and measures on aviation safety and making overall adjustments and offering recommendations, advice and guidance, this committee seeks to maintain and strengthen collaboration between departments and between Group airline companies on issues related to safety and enhance the level of safety.

To stabilize Group management by comprehensively managing risks other than those associated with aviation safety, which includes safety management and air navigation management, we have established the Risk Management Committee. Headed by the Executive Officer of general affairs, this committee formulates basic risk management guidelines, submits progress reports, and shares information on measures taken when risks are identified.

We have also established the Financial Risk Committee—headed by the Executive Officer of finance and accounting—to provide corporate management with an appropriate understanding of financial risks. The Financial Risk Committee regularly monitors the results of simulations on the financial condition of the company, estimates the potential impact of risks that may materially and quantitatively affect corporate performance, and responds to risks as necessary in tandem with the Risk Management Committee.

ESG Data

		FY2011	FY2012	Unit
Governance				
	Executives	5	7	Persons
	Female Directors*3	0	1	Persons
	External Directors	2	2	Persons
	Auditors*3	4	5	Persons
	External Auditors	2	3	Persons
	Executive Remuneration	—	235	Millions of yen
	Directors Total	—	172*1	Millions of yen
	Auditors Total	—	63*2	Millions of yen
Human Resources				
	Consolidated Number of Employees*3	30,875	30,882	Persons
	Ground Jobs	23,105	22,858	Persons
	Flight Crew	2,466	2,293	Persons
	Cabin Crew	5,304	5,731	Persons
	Average Age*3	—	38.0	Years
	Ground Jobs	—	38.4	Years
	Flight Crew	—	43.1	Years
	Cabin Crew	—	34.9	Years
	Ratio of Men*3	56.3	53.8	%
	Ratio of Women*3	43.7	46.2	%
	Managerial Staff*3	15.9	15.9	%
	General Staff*3	84.1	84.1	%
	Ratio of Staff with Disabilities*4	1.90	1.87	%
	Ratio of Female Managers*3	13.1	14.3	%
	Training Period per Person	—	64.5	Hours/Person
	Training Cost per Person	—	352,357	Yen/Person
	Childcare Leave Applicants	751	747	Persons
	Nursing Care Leave Applicants	55	69	Persons
	Ratio of Local Hires at Overseas Offices*3	90.7	92.3	%
	Ratio of Locally Hired Managers at Overseas Offices*3	57.9	64.7	%
Environment				
	CO_2 Emissions	734	787	10,000 tons
	CO_2 Emissions/Revenue ton-km (comparison with FY2005)	88.8	88.8	%
	NOx (LTO cycle)	5.66	6.08	1,000 tons
	CO (LTO cycle)	3.51	3.76	1,000 tons
	HC (LTO cycle)	0.63	0.64	1,000 tons
	Electricity Use	140	134	Million kWh
	Heat Use (crude oil equivalent)	53,209	50,997	Kiloliters
	Industrial Waste	2944	4327	Tons
	Ratio of Final Disposal	1.9	0.9	%
Community Contribution				
	Donation of Mileage	—	15,132,500	Miles
	Donation of Mileage by Customers	155,625,000	15,167,500	Miles
	Participation in Voluntary Activities (Japan Airlines Co., Ltd.)	409	444	Persons
	Total Hours of Voluntary Activities (Japan Airlines Co., Ltd.)	1,698	1,491	Hours

*1 Includes the amount for one external director who retired as of the closing of the 63rd ordinary general meeting of shareholders held on June 20, 2012.
*2 Includes the amount for one auditor who retired as of the closing of the extraordinary general meeting of shareholders held on July 10, 2012.
*3 As of the closing date of the fiscal year.
*4 As of June 1 of the fiscal year that follows the current fiscal year.

Third-Party Opinion

Iwao Taka
Professor of Economics,
Reitaku University

Business ethics is my field of expertise, so I have been quite interested in JAL for some time now. Forgive me for saying so, but before the bankruptcy, I felt no other company displayed a greater lack of integrity in its management than JAL. Its executives and staff were of entirely different minds and it could hardly be called a private enterprise. The company continued to falter until ultimately ending up in bankruptcy, requiring its creditors and shareholders to make enormous sacrifices and causing strong concern among customers and business associates as well as the Japanese public.

JAL's loss of integrity was due to three malaises. First, the management team was steering the company without shouldering the responsibility. Politicians and a supervising agency had meddled with the company's executive appointments, management plans and flight routes, leading management to attach greater importance to these people in high places than to their own customers. While this may have made JAL appear to have been a victim of circumstances, private companies cannot use such an excuse. Those responsible for managing JAL should have been steadfastly conducting customer-oriented management, regardless of what they had been told to do.

Second, although I would not say this about all JAL employees, many of them had never given serious consideration to the "customer first" concept. They were only concerned with doing the job they had been assigned and made no additional efforts, even when doing so would have been of service to customers. Employees seemed somewhat arrogant in their belief that JAL could not fail, even at this level of work quality.

Third, JAL was preoccupied with appearances and did not seek to provide an accurate account of itself. When financial results turned unfavorable, the company frantically sought to dress up its revenues for the period by repeatedly reporting non-operating income, such as flight equipment purchase incentives (rebates). The company's original choice of a luxury hotel venue for the press conference announcing its bankruptcy was just another symptom of its obsession with appearances.

I strongly believe that a company without integrity will inevitably collapse. No matter how much money is injected with the help of the government and financial institutions, such a company cannot avoid going under. JAL, however, successfully relisted its shares after only two years and eight months after applying for protection under the Corporate Rehabilitation Act. While JAL's resurgence was nothing short of a miracle, I came away from reading this report with the impression that JAL had clearly recovered integrity in its management.

First, the JAL management team has clarified its responsibilities and embarked on an earnest effort to manage the company with a customer focus. Former Chairman Kazuo Inamori began rebuilding the company by transforming the mindset of the management team in the face of in-house resistance. At the same time, he poured his efforts into establishing the divisional profitability management system to clarify responsibility. The results are clearly visible in the report's "Message from the Management." The first malaise has completely disappeared.

Second, nearly all employees have now embraced the customer first ethos as their own personal creed and are generally striving to put it into practice. The company is brimming with the spirit of seizing the initiative rather than waiting for someone else to take action.

The JAL Philosophy, which was created by the employees, includes statements such as "Each of us makes JAL what it is" and "Making the best baton pass," which have become a creed for many employees. The personal testimonies that constitute the section entitled "Each of Us Making JAL What It Is," convinced us that these words are genuine.

Third, JAL is trying to present its true form to the public in the greatest extent possible. While JAL had published CSR reports prior to its bankruptcy, the content tended to be more in the style of a PR magazine. This report has sought to break with that tendency and instead communicate a life-size picture of JAL as it is now. This change is particularly evident in the "Employee Dialog" starting on page 25.

Having recovered its integrity, JAL is now reborn. The efforts it has taken to get here must have been truly extraordinary. I would like to express my sincere respect to the executives and employees who stayed on to complete this effort while many of their peers were leaving the company. If I were to offer my advice to the reborn JAL, it could be expressed in the following words: "Praise often gives way to arrogance." In the event that arrogance does raise its head, I would like everyone to recall the hardships they have endured over the course of the bankruptcy and subsequent process of revival. In particular, I would encourage everyone to recall the honest motivation of Mr. Inamori, who, despite his advanced age, took on the challenge of reviving JAL to make its employees proud and who persevered through tough times without recompense to see the process through to completion. As long as employees can return to that starting point and see themselves from a levelheaded standpoint, they will undoubtedly succeed in turning JAL into the strong and caring company that people value. Today JAL shares a common starting point with everyone, which, I should emphasize, is now an invaluable asset that any other enterprise can only envy.

Response to the Third-Party Opinion

Thank you very much for sharing your valuable thoughts on JAL Report 2013.

Having generated such deep concern among so many of our stakeholders by our bankruptcy, we were given a last chance to revive the company. Taking that as our starting point, we are moving along the path toward a reborn JAL with the support of so many people, including customers who have continued to take our flights, those who have provided financial support, and Chairman Emeritus Inamori, who guided us sternly yet kindly with an altruistic spirit.

As you have pointed out, all of us at JAL share this starting point and believe we should never forget our sense of gratitude to our stakeholders and the relentless efforts we have made over the past three years. We are resolved to firmly maintain the integrity of our management by continuing to learn and practice the JAL Philosophy and by appropriately implementing the divisional profitability management system. We intend to continue building on our efforts to contribute to society in various ways through our core business of air transport and become a company that is loved and needed by everyone.

Hiroyuki Hioka
Executive Officer,
General Affairs (CSR)
Japan Airlines Co., Ltd.

Financial Section

JAL REPORT 2013

Management's Discussion and Analysis

Economic Environment

During this consolidated fiscal year (April 1, 2012 to March 31, 2013), post-quake restoration demand continued to drive the Japanese economy; however, the economic rebound was blunted by a slowdown in the global economy. Since the change of administration in Japan in December 2012, exports have continued to slowly decline, while capital investments and production resurged. Corporate earnings and employment have been showing signs of improvement.

Aviation demand in this period was generally robust despite temporarily stagnating due to territorial issues. Other factors, however, including the entry of Japanese low-cost carriers (LCCs) into the market, boosted supply. In addition to rising fuel prices, the Japanese yen weakened, triggering a rise in fuel costs. As a result, the JAL Group finds itself in a tough operating environment.

The State of the JAL Group

Under these circumstances, the JAL Group did its utmost to provide customers with unparalleled service with a focus on maintaining safe operations, and heightened the profit consciousness of employees under the practice of JAL Philosophy and a divisional profitability management system (the Amoeba Management System) that promoted autonomous management. These measures are intended to further improve management efficiency and ultimately achieve the management targets set out in the Mid-Term Management Plan announced on February 15, 2012.

Consolidated Business Performance

Operating revenues for FY2012 increased by 2.8% from the previous year to 1,238.8 billion yen, mainly because of an increase in passengers on both our domestic and international routes.

Operating expenses increased by 4.4% from the previous year to 1,043.5 billion yen, due to product and service improvement costs, an increase in depreciation costs caused by shorter years of aircraft depreciation, a rise in fuel costs due to increased supply, surging fuel prices and a weakened yen.

As a result, operating profit was 195.2 billion yen, with an operating profit margin of 15.8%. The EBITDAR margin was 24.8% for FY2012.

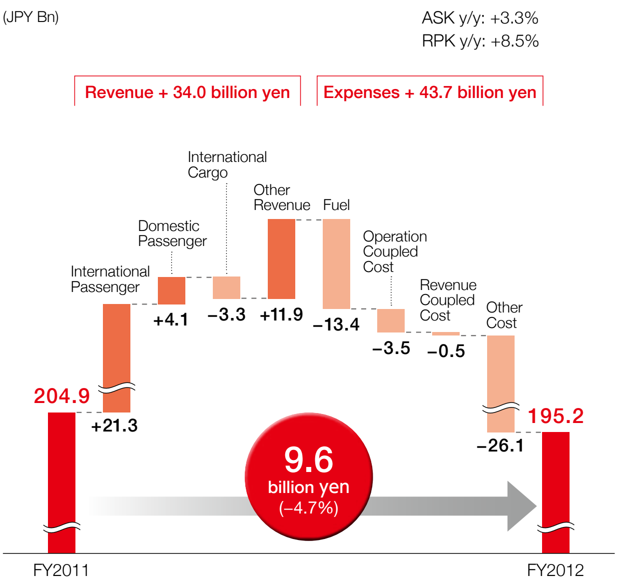
Overview of Consolidated Financial Results

(JPY Bn)

	FY2011	FY2012	% y/y
Operating Revenue	12,048	12,388	+2.8%
Air Transportation Segment	10,811	11,061	+2.3%
Operating Expense	9,998	10,435	+4.4%
Air Transportation Segment	8,932	9,349	+4.7%
Operating Profit	2,049	1,952	–4.7%
Air Transportation Segment	1,879	1,711	–8.9%
Operating Profit Margin (%)	17.0%	15.8%	–1.2pt
Ordinary Income	1,976	1,858	–6.0%
Net Income	1,866	1,716	–8.0%
RPK*1 (Mn passenger km)	52,578	57,049	+8.5%
ASK*2 (Mn seat km)	78,560	81,189	+3.3%
EBITDA Margin (%)*3	23.8%	22.3%	–1.5pt
EBITDAR Margin (%)*4	26.4%	24.8%	–1.6pt
Unit Cost (JPY)*5	11.4	11.5	+0.1

*1 RPK: revenue-passenger-kilometer
*2 ASK: available-seat-kilometer
*3 EBITDA Margin = EBITDA ÷ operating revenue, EBITDA = operating profit + depreciation
*4 EBITDAR Margin = EBITDAR ÷ operating revenue, EBITDAR = operating profit + depreciation + aircraft leases
*5 Unit Cost: air transportation segment operating cost (including fuel cost) ÷ ask, on a six-company basis

Analysis of FY2012 Results



Operating Profit

Owing to a year-on-year increase in revenue of 21.3 billion yen from international flights and 4.1 billion yen from domestic flights due to a greater number of passengers, aggregate revenue increased by 34.0 billion yen. As for expenses, fuel costs increased due to unfavorable fuel prices and currency markets, and increased supply. In addition, we saw rises in product and service improvement costs, depreciation costs due to shorter years of aircraft depreciation, and personnel costs due to a rise in bonus levels.

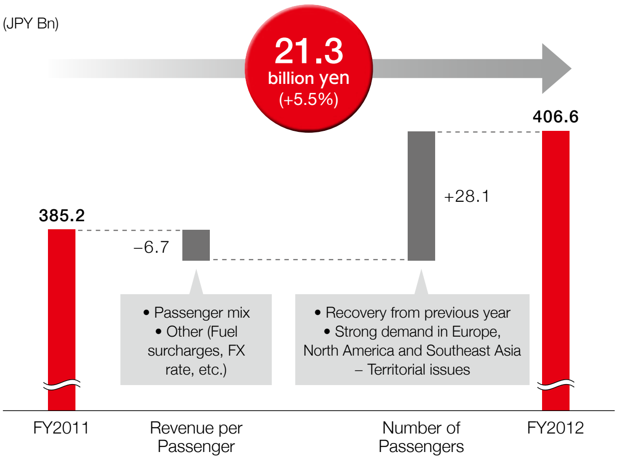
As a result, operating profit declined by 9.6 billion yen from the previous year to 195.2 billion yen.

International Passenger Operations (Operating Results)

	FY2011	FY2012	% y/y
Passenger Revenue (JPY Bn)	385.2	406.6	+5.5%
ASK (Mn seat km)	4,303.6	4,474.5	+4.0%
RPK (Mn passenger km)	3,031.3	3,403.6	+12.3%
Passengers (thousand people)	684.4	752.5	+9.9%
L/F (%)	7.04%	7.61%	+5.6pt
Unit Revenue (JPY)*1	0.9	0.91	+1.5%
Yield (JPY)*2	1.27	1.19	−6.0%
Revenue per Passenger (JPY)*3	5,629	5,404.1	−4.0%

*1 Unit Revenue = passenger revenue ÷ ASK
*2 Yield = passenger revenue ÷ RPK
*3 Revenue per Passenger = passenger revenue ÷ passengers

International Passenger Operations (Changes in Revenue)



International Passenger Operations – Operating Results and Passenger Revenue

On international routes, ASK increased by 4.0% and RPK grew by 12.3% year-on-year, thereby increasing our load factors by 5.6 points year-on-year to 76.1%.

Meanwhile, leisure demand was robust in Japan and there was a post-quake recovery in inbound passengers from overseas, which changed the passenger mix. As a result, our yield declined by 6.0% and our revenue per passenger declined by 4.0% from the previous year, although passenger revenue increased by 5.5% to 406.6 billion yen.

Strong demand in long and middle haul routes such as Europe, North America and Southeast Asia continued during FY2012.

We inaugurated the Boston and San Diego routes and launched JAL SKY SUITE 777 for flights to London, which contributed to raising the load factors and yield of our business class.

Domestic Passenger Operations – Operating Results and Passenger Revenue

On domestic routes, ASK increased by 2.6% and RPK increased by 3.4% year-on-year, thereby increasing our load factor by 0.5 points to 63.1%.

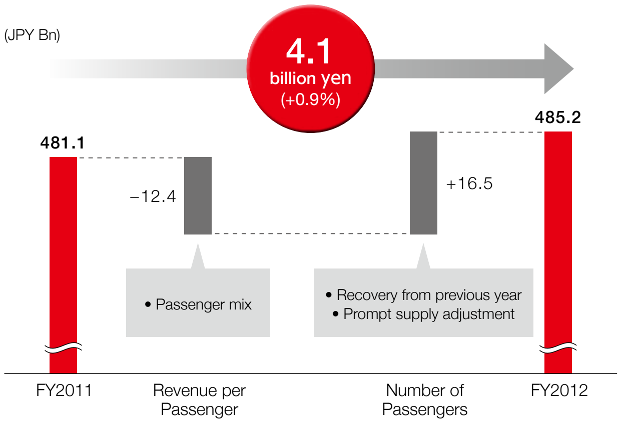
We sought to stimulate demand by further discounting existing fares for customers purchasing tickets 55 days in advance of departure, and the relative share of group customers increased. As a result, our yield declined by 2.4% and our revenue per passenger declined by 2.7% year-on-year. Passenger revenue, however, increased by 0.9% to 485.2 billion yen.

In FY2012, we increased the number of flights with first class service and introduced first class seats on Haneda-Okinawa flights. We also increased the number of Class J seats to improve service. We resumed the Fukuoka-Hanamaki route and increased the frequency of flights on the Haneda-Izumo route. In addition, we introduced Sakitoku and Super Sakitoku discount fares for the first time during the New Year holidays, which were used by a large number of passengers returning to and from their hometowns and other holiday destinations.

Domestic Passenger Operations (Operating Results)

	FY2011	FY2012	% y/y
Passenger Revenue (JPY Bn)	481.1	485.2	+0.9%
ASK (Mn seat km)	3,552.3	3,644.3	+2.6%
RPK (Mn passenger km)	2,226.4	2,301.2	+3.4%
Passengers (thousand people)	2,896.5	3,002.0	+3.6%
L/F (%)	6.27%	6.31%	+0.5pt
Unit Revenue (JPY)	1.35	1.33	–1.7%
Yield (JPY)	2.16	2.11	–2.4%
Revenue per Passenger (JPY)	1,661	1,616.3	–2.7%

Domestic Passenger Operations (Changes in Revenue)



Major Operating Expense Items

Fuel costs were pushed up by 5.8% due to unfavorable fuel prices and the yen exchange rate, as well as increased supply, which also drove up navigational facility fees by 4.8%. Furthermore, regular maintenance work increased, leading to an overall rise in maintenance costs of 29.3%. The introduction of new aircraft and shortened years of depreciation resulted in a 7.9% increase in aircraft depreciation costs.

Personnel costs increased by 6.2% as we raised the bonus levels from the previous year.

While other costs increased by 1.6% due mainly to product and service improvements, our administrative costs declined as we managed to control an increase in expenses through cost reductions in each division in accordance with the divisional profitability management system.

Breakdown of Operating Expenses

(JPY Bn)

	FY2011	FY2012	% y/y
Fuel	232.9	246.3	+5.8%
Landing Fees and Other Rent	71.6	75.1	+4.8%
Maintenance	23.5	30.4	+29.3%
Sales Commissions (Air Transport)	22.3	20.3	–8.9%
Aircraft Depreciation	55.6	60.0	+7.9%
Aircraft Leases	32.2	30.9	–4.1%
Personnel	213.6	226.7	+6.2%
Other	347.8	353.4	+1.6%
Total Operating Expenses	999.8	1,043.5	+4.4%

Reference: ASK FY2012 y/y: +3.3%

Exchange Rates and Fuel Price

	FY2011	FY2012	% y/y
Singapore Kerosene (USD/bbl)	128.0	127.1	–0.7%
CIFJ (USD/bbl)	112.6	114.4	+1.6%
FX Rate: (JPY/USD)	78.8	82.4	+4.6%

Fuel/FX Sensitivity (Impact on Operating Profit without Hedge)

	FY2012
Crude Oil (Change in 1 USD/bbl)	20
FX (Change in 1 JPY/USD)	25

(JPY Bn)

Financial Conditions

(JPY Bn)

	End of FY2011	End of FY2012	Difference
Total Assets	10,876	1,216.6	+128.9
Cash and Deposits	2,724	347.9	+75.5
Balance of Interest-bearing Debt*1	2,084	160.1	–48.3
Off-balance Sheet Lease Payments	2,294	207.1	–22.3
Shareholders' Equity	3,885	565.0	+176.5
Shareholders' Equity Ratio	35.7%	46.4%	+10.7pt
D/E Ratio (×)*2	0.5×	0.3×	–0.3×
Net D/E Ratio (×)*3	–0.2×	–0.3×	–0.2×

Reference: D/E ratio including off-balance sheet lease payments: 0.7×, net D/E ratio: 0.0×

*1 Accounts payable – installment purchase included
*2 D/E Ratio: (on-balance sheet interest-bearing debt) ÷ (shareholders' equity)
*3 Net D/E Ratio: (on-balance sheet interest-bearing debt – cash and cash equivalents) ÷ (shareholders' equity)

Financial Conditions

Repayment of long-term loans and lease obligations progressed compared to the end of the previous year, and the balance of interest bearing debts decreased by 48.3 billion yen to 160.1 billion yen.

Our equity ratio improved by 10.7 points from the end of the previous year to 46.4%.

Cash Flows

(JPY Bn)

	FY2011	FY2012	Difference
Net Income before Income Taxes and Minority Interests	199.9	190.4	–9.4
Depreciation	81.2	81.0	–0.2
Other	–24.4	–6.6	17.8
Cash Flow from Operating Activities	256.6	264.8	8.1
Capital Expenditure*1	–98.6	–121.8	–23.2
Other	36.1	–7.1	–43.2
Cash Flow from Investing Activities*2	–62.4	–129.0	–66.5
Free Cash Flow*3	194.1	135.8	–58.3
Repayment of Interest-bearing Debt*4	–300.2	–62.9	237.3
Other	25.8	2.3	–23.5
Cash Flow from Financing Activities	–274.4	–60.6	213.8
Total Cash Flow*5	–80.2	75.1	155.4
EBITDA	286.1	276.2	–9.8
EBITDAR	318.4	307.1	–11.2

*1 Expense due to purchases of fixed assets
*2 Excludes deposits and withdrawals from deposit accounts
*3 Cash Flow from Operating Activities + Cash Flow from Investing Activities
*4 Repayment of Long-term Debt + Repayment of Lease Debt
*5 Cash Flow from Operating Activities + Cash Flow from Investing Activities + Cash Flow from Financing Activities

Cash Flows

Cash flows from operating activities were 264.8 billion yen. Cash flow for investing activities was 129.0 billion yen due to the purchase of new and leased aircraft, which resulted in 135.8 billion yen in free cash flow for FY2012.

Due to the decrease of long-term borrowings and leasing liabilities, net cash used in financing activities was 60.6 billion yen.

Consequently, cash flow in total was 75.1 billion yen.

Number of Aircraft in Service (Consolidated)

(Number of aircraft)

		End of FY2011			End of FY2012			Changes
		Owned	Leased	Total	Owned	Leased	Total	
Large	Boeing 777-200	15	0	15	15	0	15	—
	Boeing 777-200ER	11	0	11	11	0	11	—
	Boeing 777-300	7	0	7	7	0	7	—
	Boeing 777-300ER	13	0	13	13	0	13	—
Medium	Boeing 787-8	2	0	2	7	0	7	+5
	Boeing 767-300	17	0	17	16	0	16	–1
	Boeing 767-300ER	14	18	32	14	18	32	—
Small	MD90	13	0	13	2	0	2	–11
	Boeing 737-400	16	2	18	14	2	16	–2
	Boeing 737-800	9	32	41	18	31	49	+8
Regional Jet	Embraer 170	10	0	10	12	0	12	+2
	Bombardier CRJ200	9	0	9	9	0	9	—
	Bombardier D8-400	7	4	11	9	2	11	—
	SAAB340B	9	2	11	9	2	11	—
	Bombardier D8-300	1	0	1	1	0	1	—
	Bombardier D8-100	4	0	4	4	0	4	—
Total		157	58	215	161	55	216	+1

Number of Aircraft in Service

The change in the number of aircraft in service was as shown in the chart at left.

Business Risks

Risks affecting investor decisions are discussed below. However, the following list does not cover all possible circumstances that may impact the JAL Group, as unforeseen risks could arise. This section includes forward-looking statements based on judgments as of June 20, 2013. The JAL Group is exposed to these risks within its primary business operations of scheduled and unscheduled air transport services.

a. Risks concerning changes in the international situation

The JAL Group transports international air passengers and air cargo mainly to North America, Europe, Asia-Oceania, and China. Air transport demand can significantly decline due to terrorist attacks, regional conflicts, wars, and outbreaks and transmission of infectious diseases. The announcement of travel advisories recommending against travel to regions of conflict or outbreaks and epidemics of infectious diseases, or widespread decisions to defer nonessential and non-urgent travel could have serious negative impacts on demand for JAL Group flights that arrive in and depart from those regions.

b. Risks concerning changes in the Japanese and global economy

The JAL Group's international and domestic passenger operations significantly depend on the Japanese market. Therefore, economic trends in Japan and global economic conditions, including the European debt crisis, or a decline in air travel demand from the customer base in Japan, natural disasters, inclement weather, or other unexpected circumstances could negatively impact the JAL Group's business. Our international passenger operations in particular are vulnerable to economic conditions.

c. Risks concerning our mid-term and annual plans

Although the JAL Group establishes mid-term and annual plans, various internal and external factors pose a risk to the execution of these plans. These plans are based on a number of assumptions and if they do not proceed as expected, our ability to achieve planned revenue targets and profit goals could be negatively affected. The JAL Group's mid-term and annual plans depend on effective accounting and tax systems, processing methods, and legal requirements at the time of compilation. If these systems, methods, and requirements are changed, financial forecasts announced in the plans could be affected.

d. Risks concerning our aircraft delivery plans

The JAL Group strives to build a fleet centered on new, fuel-efficient, small to mid-sized aircraft for its air transport business, and has placed orders with aircraft manufacturers such as Boeing. Any postponed delivery of aircraft due to technical, financial, or other factors involving the aircraft manufacturer could impact the JAL Group's mid- to long-term business. Several delays in delivery have already occurred due to technical problems with the Boeing 787, which we are steadily introducing into our fleet. These factors may influence the Group's single year financial results and mid- to long-term business plans.

e. Risks concerning departure and arrival slots

The JAL Group has positioned the increase of airport capacity at Haneda and Narita airports as a major business opportunity. If the number of departure and arrival slots allocated to the JAL Group at these airports significantly differs from our expectations, our ability to achieve our management plan could be negatively affected.

f. Risks concerning alliances

Developments have been underway in the airline business to form a global alliance of several airlines or to create joint businesses with partner airlines across national borders with the approval of antitrust immunity (ATI). The JAL Group is a member of the global oneworld alliance, which includes American Airlines (AA) and British Airways (BA). We have also entered into a joint business agreement with AA for transpacific routes and with BA for European routes. Our reliance on strategic partners and the oneworld alliance may expose us to a variety of risks that could affect our alliance strategies, such as changes in business conditions affecting our partners, oneworld membership, and partnerships with the JAL Group.

g. Risks concerning competition

The JAL Group faces substantial and intensifying competition with respect to routes, services, and fares in both domestic and international markets.

On domestic routes, we face tough competition with another major Japanese airline, new low-cost carriers (LCCs), and the Shinkansen; competition with LCCs is particularly expected to intensify.

On international routes, competition with major Japanese and international airlines is growing increasingly fierce, which will be further intensified by the increase of departure and arrival slots at Haneda and Narita airports.

We have established part-ownership of Jetstar Japan, an LCC established with Jetstar of Australia and another party as an affiliated company under the equity method. To date, the impact of LCCs has been contained within our projections. If competition with Japanese and international LCCs intensifies, however, we will be compelled to reduce our fares. In addition, if significant numbers of customers shift from JAL Group flights to LCCs including Jetstar Japan, the Group's LCC strategies as well as our business operations could be negatively affected.

h. Risks concerning cost structure

The JAL Group maintains a high unit cost (cost per ASK) compared to Asian airlines and LCCs, and our freedom to reduce costs in the face of economic conditions is severely constrained by operating expenses that are significantly determined by the costs of fuel, personnel, aircraft, and taxes. A significant decline in demand or decrease in ticket prices could negatively affect our business.

i. Risks concerning changes in jet fuel prices

The JAL Group's business performance is significantly affected by fuel price fluctuations. The Group's fuel costs in FY2012 were approximately 250 billion yen, accounting for approximately 24% of consolidated operating expenses. While rising fuel prices since the summer of 2004 have negatively impacted our business, severe competition in the airline industry has made it difficult to fully compensate for the higher fuel costs by increasing fares or asking customers to pay a fuel surcharge. We conduct a variety of hedging strategies using commodity derivatives of crude oil or jet fuel to minimize the risks posed by fluctuating fuel prices. Depending on our hedging positions and associated factors, a sudden plummet in the price of crude oil or jet fuel in a short period of time may not be immediately reflected in our business performance and may not contribute to improving business results.

j. Risks concerning fluctuations in foreign exchange rates

Since the JAL Group conducts extensive business in domestic and international markets, a portion of our revenue and expense transactions is handled in foreign currencies. Jet fuel prices, which account for the largest share of costs, are particularly susceptible to movements in the U.S. dollar, and therefore volatility in U.S. dollar currency wields a stronger impact on expenses than revenue. To reduce risks to profitability associated with currency volatility, foreign currency revenues are essentially applied to expenditures in the same currency. We also enter into forward exchange contracts and currency options. If the exchange rate fluctuates over a short period of time, yen appreciation against the dollar may not be immediately reflected in the performance and may not contribute to improving business results.

k. Risks concerning disasters

Most passengers for JAL Group's airlines use aircraft departing and arriving at Haneda and Narita airports and therefore these two airports are central to the Group's air transport business. The Group's key information system center for aircraft operations and reservations is located in the Tokyo area, which is also home to the Operation Control Center that manages the operations and schedules of aircraft worldwide. Our business operations could be significantly affected by interruptions to the operation of this vital facility and closure of the Haneda and Narita airports due to a large earthquake in the Tokyo area, fire, terrorist attack, or other disaster, or any extended suspension of our information systems or operations functions.

l. Risks concerning trust in airline safety

The JAL Group takes action every day to ensure the safe operations of our aircraft. If we were to lose the trust of our customers due to an aircraft accident, a long time may be required to recover customer confidence in the safety of our operations and regain public trust. If a safety-related incident were to occur on a Group or code-share flight, this could cause a decline in customer confidence and public trust in the safety or our operations and negatively impact our business. An aircraft accident could require repairs to the damaged aircraft or the purchase of a new aircraft, or could lead to loss in revenue as a result of a suspension of operations. In addition, injured passengers could file claims for compensation. Although the Group complies with industry standards in the amount of liability insurance it maintains to cover such costs and compensation claims, if an accident were to cause damage in excess of this coverage or if a major loss were to occur, our business could be negatively impacted.

m. Risks concerning legal regulations

The JAL Group's business complies with international regulations and operates in conformance with national and regional laws, ordinances, and regulations. Significant revisions to these laws, ordinances, and regulations could increase the regulatory burden on the business and require greater expenditures.

(a) Airworthiness directives

If technical problems were to seriously affect the safety of aircraft operations, the Minister of Land, Infrastructure, Transport and Tourism may issue an airworthiness directive or require corrective action in accordance with laws and ordinances, and operations of the aircraft might not be approved until safety has been confirmed. Even if an airworthiness directive is not issued under laws and ordinances, there is the possibility that we would have to voluntarily suspend operation of the aircraft under internal regulations or other applicable rules. Any of these circumstances could disrupt operations of our aircraft, including the Boeing 787, which has been a priority addition to our fleet, and negatively affect our business.

(b) Laws, ordinances, and regulations concerning the air transport business

The JAL Group as an air transport operator conducts business in accordance with prevailing laws, ordinances, and regulations governing the airline business. On international routes, we are required to conform to conventions such as bilateral aviation agreements and other international rules. Furthermore, fares and fees in the air transport business are subject to regulation under antitrust laws and other similar overseas laws and ordinances.

(c) Environmental regulations

Increased awareness of corporate social responsibility for the global environment, including the prevention of global warming, has heightened environmental regulations controlling gas emissions, noise, and toxic substances. An increase in global gas emission trading on the international aviation scene or a tightening of environmental regulations, such as fines for global warming gases, could negatively affect our business.

(d) Tax and fees

Taxes and fees in the airline business include such expenses as landing fees and navigation support facility fees. Landing fees at some Japanese airports are subject to governmental mitigation, but depending on the financial conditions and policies of specific transport administrations, the reinstatement of landing fees that had been reduced or a substantial increase in taxes could negatively affect our business.

n. Risks concerning litigation

The JAL Group is currently subject to various legal proceedings concerning its business operations, which could affect our business. Suits may be filed in one or more of the following proceedings, which, depending on the specific circumstances, could negatively affect our business if additional expenditures or a reserve fund is required.

(a) Incidents concerning employment of former employees

In Japan, former employees filed a suit demanding confirmation of status under their labor contracts. In March 2012, the plaintiff's claims were dismissed in the Tokyo District Court, but in April 2012 they appealed to the Tokyo High Court. Two other labor suits are still in litigation. In addition, several suits have been filed in Brazil and Taiwan demanding confirmation of wages and allowances and status under the labor contract.

(b) Incidents concerning cartels

The JAL Group filed a suit with European and South Korean courts in January 2011 in regard to allegations of engaging in an air cargo price cartel by antitrust authorities and objecting to orders to pay a fine. A civil suit had been filed against several airlines including JAL by shippers claiming that they had suffered damages from an alleged air cargo cartel. With regard to these incidents, a reserve fund to cover reasonably calculated future losses has been established.

o. Risks concerning our dependence on third parties

The JAL Group's business to a certain extent depends on services by third parties such as maintenance staff, airport staff, aviation security agents, fuel attendants, baggage staff, and private security companies. In addition, we place orders with Boeing for the majority of new aircraft scheduled to be introduced into our fleet. Therefore, if Boeing cannot fulfill its contract with JAL for financial or other reasons, we will be compelled to significantly change our fleet plan, which may affect our business in the mid to long term.

p. Risks concerning IT (information systems)

The JAL Group depends on information systems for its business operations. Our information systems are vulnerable to hardware and software problems as well as computer viruses that could result in the loss of important data or entail additional costs for repairs and thereby negatively affect our business. In addition, large-scale infrastructure problems, such as a failure in the electric power system that supports our information systems, could seriously disrupt our business.

q. Risks concerning financing

The JAL Group plans to renew part of its fleet by purchasing aircraft, refurbish cabin interiors and upgrade core systems, and may need to procure funds from financial institutions or markets to fulfill capital requirements. Our ability to procure funds may change depending on the condition of financial markets and our credit rating. A decline in financial markets or our credit rating could make it difficult to procure funds, and we could suffer a decrease in cash on hand or increased financial costs.

r. Risks concerning handling of customer data

If the JAL Group experiences information leaks or unlawful access to customer data in its possession, the Group might be obliged to provide compensation or be subjected to administrative action. If this were to happen, public trust in our business, systems, and brand could be damaged, and we could lose the trust of the customers and markets, which could negatively affect our operations, financial conditions, and business performance.

s. Risks concerning recruitment

We need to secure employees with specific qualifications, including national certifications and the skills legally required to operate aircraft, in order to conduct our business operations. Considerable time, however, is required for staff to acquire the necessary certifications and skills. Any delay in securing the necessary workforce beyond the time it is required could affect our business and operations.

t. Risk concerning labor disputes

Many Group employees belong to labor unions. An extended labor dispute involving collective action by our employees could negatively affect our aircraft operations.

Consolidated Balance Sheets

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 4)
As of March 31	**2013**	2012	**2013**
ASSETS			
Current assets:			
Cash and time deposits (Notes 5, 7 and 10)	**¥ 347,986**	¥ 272,475	**$ 3,700,010**
Short-term investments in securities (Notes 5, 7, 8 and 10)	**7**	30	**74**
Notes and accounts receivable—trade (Note 7)	**121,058**	117,005	**1,287,166**
Flight equipment spare parts and supplies	**22,277**	22,996	**236,863**
Deferred income taxes (Note 12)	**1,055**	1,336	**11,217**
Other	**59,727**	55,174	**635,055**
Allowance for doubtful accounts	**(764)**	(661)	**(8,123)**
Total current assets	**551,348**	468,355	**5,862,286**
Investments in securities (Notes 6, 7, 8 and 10)	**55,826**	39,722	**593,577**
Tangible fixed assets, net:			
Flight equipment (Note 10)	**385,267**	369,502	**4,096,406**
Ground property and equipment (Note 10)	**48,745**	51,223	**518,288**
Advances on flight equipment and other purchases	**70,425**	58,105	**748,803**
Total tangible fixed assets	**504,438**	478,831	**5,363,508**
Software	**40,991**	40,497	**435,842**
Long-term loans receivable (Note 10)	**13,018**	14,364	**138,415**
Deferred income taxes (Note 12)	**4,354**	3,972	**46,294**
Other (Note 10)	**47,011**	42,286	**499,851**
Allowance for doubtful accounts	**(376)**	(404)	**(3,997)**
Total fixed assets	**665,263**	619,271	**7,073,503**
Total assets	**¥1,216,612**	¥1,087,627	**$12,935,800**

As of March 31	Millions of yen 2013	2012	Thousands of U.S. dollars (Note 4) 2013
LIABILITIES			
Current liabilities:			
Accounts payable—trade (Note 7)	**¥ 135,830**	¥ 125,185	**$1,444,231**
Short-term borrowings (Notes 7 and 10)	**828**	561	**8,803**
Current portion of long-term loans payable (Notes 7 and 10)	**9,767**	10,197	**103,849**
Lease payable (Notes 7 and 10)	**35,801**	35,997	**380,659**
Reserve for reconstruction on business	**1,184**	5,033	**12,589**
Deferred income taxes (Note 12)	**2,751**	262	**29,250**
Other	**126,990**	121,237	**1,350,239**
Total current liabilities	**313,154**	298,475	**3,329,654**
Non-current liabilities:			
Long-term loans payable (Notes 7 and 10)	**34,517**	46,512	**367,006**
Lease payable (Notes 7 and 10)	**77,592**	113,310	**825,007**
Deferred income taxes (Note 12)	**7,669**	7,122	**81,541**
Accrued pension and severance costs (Note 11)	**154,483**	154,800	**1,642,562**
Reserve for reconstruction on business	**—**	846	**—**
Reserve for loss on antitrust litigation	**6,466**	7,273	**68,750**
Asset retirement obligations (Note 21)	**4,271**	3,166	**45,412**
Other	**35,268**	42,258	**374,992**
Total non-current liabilities	**320,269**	375,290	**3,405,305**
Total liabilities	**633,423**	673,766	**6,734,960**

Contingent liabilities (Note 19)

NET ASSETS (Note 13)			
Stockholders' equity:			
Common stock:			
Authorized: 350,000,000 shares in 2013 and 225,000,000 shares in 2012			
Issued: 181,352,000 shares in 2013 and 2012	**181,352**	181,352	**1,928,250**
Capital surplus	**183,043**	189,901	**1,946,230**
Retained earnings	**198,196**	19,665	**2,107,347**
Treasury stock, at cost: 31,950 shares in 2013	**(122)**	—	**(1,297)**
Total stockholders' equity	**562,469**	390,919	**5,980,531**
Accumulated other comprehensive income			
Net unrealized gains (losses) on other securities (Note 8)	**2,353**	(661)	**25,018**
Deferred gains on hedges (Note 9)	**6,603**	5,343	**70,207**
Foreign currency translation adjustments	**(6,378)**	(7,077)	**(67,814)**
Total accumulated other comprehensive income	**2,578**	(2,395)	**27,410**
Minority interests	**18,141**	25,337	**192,886**
Total net assets	**583,189**	413,861	**6,200,839**
Total liabilities and net assets	**¥1,216,612**	¥1,087,627	**$12,935,800**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income and Comprehensive Income

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 4)
Years ended March 31	**2013**	2012	**2013**
Operating revenues:			
Passenger:			
Domestic	**¥ 485,214**	¥ 481,111	**$ 5,159,106**
International	**406,657**	385,289	**4,323,838**
Incidental and other revenues	**346,967**	338,412	**3,689,175**
Total operating revenues	**1,238,839**	1,204,813	**13,172,131**
Operating expenses:			
Wages, salaries and benefits	**226,779**	213,608	**2,411,259**
Aircraft fuel	**246,345**	232,901	**2,619,298**
Landing fees and other rent	**75,169**	71,696	**799,245**
Aircraft maintenance	**30,439**	23,548	**323,646**
Aircraft rent	**30,941**	32,271	**328,984**
Depreciation and amortization	**81,004**	81,222	**861,286**
Other	**352,917**	344,641	**3,752,440**
Total operating expenses	**1,043,596**	999,890	**11,096,182**
Operating income	**195,242**	204,922	**2,075,938**
Non-operating income (expenses):			
Interest income	**813**	713	**8,644**
Dividend income	**563**	365	**5,986**
Interest expense	**(3,182)**	(10,900)	**(33,833)**
Gain on sales of flight equipment	**3,221**	3,257	**34,247**
Loss on sales and disposal of flight equipment	**(3,434)**	(2,648)	**(36,512)**
Equity in earnings (losses) of affiliates	**(2,188)**	1,073	**(23,264)**
Exchange loss, net	**(1,826)**	(2,066)	**(19,415)**
Gain on sales of investments in securities	**49**	3,109	**520**
Gain on forgiveness of debts	**—**	1,277	**—**
Gain from compensation	**8,674**	1,576	**92,227**
Loss on sales and disposal of fixed assets (Note 15)	**(712)**	(974)	**(7,570)**
Gain on partial termination of defined benefit plan, net (Note 11)	**—**	1,134	**—**
Loss on switching to closed pension funds	**—**	(1,282)	**—**
Loss on impairment of fixed assets (Note 16)	**(1,764)**	(2,433)	**(18,755)**
Effect of change to the standard method of accounting for the projected benefit obligation (Note 11)	**(1,472)**	(547)	**(15,651)**
Other	**(3,504)**	3,328	**(37,256)**
Total non-operating income (expense)	**(4,764)**	(5,017)	**(50,653)**
Income before income taxes and minority interests	**190,477**	199,904	**2,025,273**
Income taxes—current (Note 12)	**12,882**	12,046	**136,969**
Income taxes—deferred (Note 12)	**1,047**	(3,716)	**11,132**
Total income taxes	**13,929**	8,329	**148,102**
Income before minority interests	**176,547**	191,574	**1,877,161**
Minority interests	**4,875**	4,957	**51,834**
Net income	**171,672**	186,616	**1,825,326**
Minority interests	**4,875**	4,957	**51,834**
Income before minority interests	**176,547**	191,574	**1,877,161**
Other comprehensive income (Note 14)			
Net unrealized gains on other securities, net of taxes	**3,019**	87	**32,099**
Deferred gains on hedges, net of taxes	**1,358**	2,986	**14,439**
Foreign currency translation adjustments	**931**	577	**9,898**
Share of other comprehensive income of associates accounted for using the equity method	**1**	25	**10**
Total other comprehensive income	**5,310**	3,676	**56,459**
Comprehensive income	**¥ 181,857**	¥ 195,251	**$ 1,933,620**
Comprehensive income attribute to			
Owners of the parent	**¥ 176,646**	¥ 190,019	**$ 1,878,213**
Minority interests	**5,211**	5,231	**55,406**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 4)
As of March 31	2013	2012	2013
Stockholders' equity			
Common stock:			
Balance at beginning of year	**¥181,352**	¥ 181,352	**$1,928,250**
Changes during the fiscal year:			
Total changes	**—**	—	**—**
Balance at end of year	**181,352**	181,352	**1,928,250**
Capital surplus:			
Balance at beginning of year	**189,901**	189,901	**2,019,149**
Changes during the fiscal year:			
Reserve for losses	**(6,858)**	—	**(72,918)**
Total changes	**(6,858)**	—	**(72,918)**
Balance at end of year	**183,043**	189,901	**1,946,230**
(Accumulated deficit) retained earnings:			
Balance at beginning of year	**19,665**	(166,910)	**209,090**
Changes during the fiscal year:			
Reserve for losses	**6,858**	—	**72,918**
Net income for the fiscal year	**171,672**	186,616	**1,825,326**
Increase (decrease) by merger	**—**	(40)	**—**
Total changes	**178,530**	186,576	**1,898,245**
Balance at end of year	**198,196**	19,665	**2,107,347**
Treasury stock, at cost:			
Balance at beginning of year	**—**	—	**—**
Changes during the fiscal year:			
Purchases of treasury stock	**(122)**	—	**(1,297)**
Total changes	**(122)**	—	**(1,297)**
Balance at end of year	**(122)**	—	**(1,297)**
Total stockholders' equity:			
Balance at beginning of year	**390,919**	204,343	**4,156,501**
Changes during the fiscal year:			
Net income for the fiscal year	**171,672**	186,616	**1,825,326**
Purchases of treasury stock	**(122)**	—	**(1,297)**
Increase (decrease) by merger	**—**	(40)	**—**
Total changes	**171,550**	186,576	**1,824,029**
Balance at end of year	**¥562,469**	¥ 390,919	**$5,980,531**

	Millions of yen		Thousands of U.S. dollars (Note 4)
Years ended March 31	2013	2012	2013
Accumulated other comprehensive income			
Net unrealized gains (losses) on other securities, net of taxes (Note 8):			
Balance at beginning of year	**¥ (661)**	¥ (767)	**$ (7,028)**
Changes during the fiscal year:			
Changes other than to stockholders' equity, net	**3,014**	105	**32,046**
Total changes	**3,014**	105	**32,406**
Balance at end of year	**2,353**	(661)	**25,018**
Deferred gains on hedges, net of taxes (Note 9):			
Balance at beginning of year	**5,343**	2,388	**56,810**
Changes during the fiscal year:			
Changes other than to stockholders' equity, net	**1,260**	2,955	**13,397**
Total changes	**1,260**	2,955	**13,397**
Balance at end of year	**6,603**	5,343	**70,207**
Foreign currency translation adjustments:			
Balance at beginning of year	**(7,077)**	(7,419)	**(75,247)**
Changes during the fiscal year:			
Changes other than to stockholders' equity, net	**699**	341	**7,432**
Total changes	**699**	341	**7,432**
Balance at end of year	**(6,378)**	(7,077)	**(67,814)**
Total accumulated other comprehensive income			
Balance at beginning of year	**(2,395)**	(5,798)	**(25,465)**
Changes during the fiscal year:			
Changes other than to stockholders' equity, net	**4,974**	3,402	**52,886**
Total changes	**4,974**	3,402	**52,886**
Balance at end of year	**2,578**	(2,395)	**27,410**
Minority interests			
Balance at beginning of year	**25,337**	19,689	**269,399**
Changes during the fiscal year:			
Changes other than to stockholders' equity, net	**(7,196)**	5,647	**(76,512)**
Total changes	**(7,196)**	5,647	**(76,512)**
Balance at end of year	**18,141**	25,337	**192,886**
Total net assets			
Balance at beginning of year	**413,861**	218,234	**4,400,435**
Changes during the fiscal year:			
Net income for the fiscal year	**171,672**	186,616	**1,825,326**
Increase (decrease) by merger	**—**	(40)	**—**
Purchases of treasury stock	**(122)**	—	**(1,297)**
Changes other than to stockholders' equity, net	**(2,222)**	9,050	**(23,625)**
Total changes	**169,328**	195,626	**1,800,404**
Balance at end of year	**¥583,189**	¥413,861	**$6,200,839**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 4)
Years ended March 31	2013	2012	2013
Operating activities			
Income before income taxes and minority interests	**¥ 190,477**	¥ 199,904	**$ 2,025,273**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**81,004**	81,222	**861,286**
Gain and loss on sales and disposal of fixed assets and loss on impairment of fixed assets, net	**3,089**	2,520	**32,844**
Net reversal of accrued pension and severance costs	**(322)**	(675)	**(3,423)**
Interest and dividend income	**(1,376)**	(1,079)	**(14,630)**
Interest expense	**3,182**	10,900	**33,833**
Exchange (gain) loss, net	**2,299**	(1,323)	**24,444**
Equity in (earnings) losses of affiliates	**2,188**	(1,073)	**23,264**
Increase in notes and accounts receivable—trade	**(3,777)**	(5,496)	**(40,159)**
Decrease in flight equipment spare parts and supplies	**718**	3,172	**7,634**
Increase (decrease) in accounts payable—trade	**10,405**	(6,093)	**110,632**
Other	**(3,366)**	(5,622)	**(35,789)**
Subtotal	**284,523**	276,356	**3,025,231**
Interest and dividends received	**1,631**	1,730	**17,341**
Interest paid	**(3,349)**	(11,234)	**(35,608)**
Retirement payment	**—**	(2,843)	**—**
Income taxes paid	**(17,950)**	(7,336)	**(190,855)**
Net cash provided by operating activities	**264,853**	256,673	**2,816,087**
Investing activities			
Purchases of time deposits	**(486,697)**	(276,021)	**(5,174,875)**
Proceeds from maturity of time deposits	**351,303**	191,280	**3,735,279**
Purchases of fixed assets	**(121,894)**	(98,628)	**(1,296,055)**
Proceeds from sales of fixed assets	**10,200**	28,735	**108,452**
Purchases of investments in securities	**(20,294)**	(3,093)	**(215,778)**
Proceeds from sales and maturity of investments in securities	**430**	5,717	**4,572**
Proceeds from purchase of subsidiaries resulting in change in scope of consolidation (Note 19)	**—**	1,360	**—**
Proceeds from sales of consolidated subsidiaries resulting in changes in scope of consolidation (Note 19)	**—**	254	**—**
Loans receivable made	**(295)**	(1,933)	**(3,136)**
Collection of loans receivable	**1,791**	1,916	**(19,043)**
Other	**1,019**	3,188	**(10,834)**
Net cash used in investing activities	**(264,436)**	(147,221)	**(2,811,653)**
Financing activities			
Increase in short-term borrowings, net	**266**	62	**2,828**
Proceeds from long-term loans	**11,836**	25,203	**125,847**
Repayment of long-term loans	**(26,599)**	(259,056)	**(282,817)**
Proceeds from minority interests	**—**	1,506	**—**
Dividends paid to minority interests	**(8,177)**	(194)	**(86,943)**
Payments for lease payable	**(36,342)**	(41,210)	**(386,411)**
Other	**(1,625)**	(770)	**(17,278)**
Net cash used in financing activities	**(60,643)**	(274,460)	**(644,795)**
Effect of exchange rate changes on cash and cash equivalents	**643**	449	**6,836**
Net decrease in cash and cash equivalents	**(59,582)**	(164,559)	**(633,514)**
Cash and cash equivalents at beginning of year	**158,995**	323,797	**1,690,536**
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	**—**	(274)	**—**
Increase in cash and cash equivalents by merger	**—**	31	**—**
Cash and cash equivalents at end of year (Note 5)	**¥ 99,413**	¥ 158,995	**$ 1,057,022**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

Japan Airlines Co., Ltd. and Consolidated Subsidiaries

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

Japan Airlines Co., Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Financial Services Agency as required by the Financial Instruments and Exchange Act of Japan and include certain additional financial information for the convenience of readers outside Japan.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

Certain amounts previously reported have been reclassified to conform to the current year's classification.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation and Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The accompanying consolidated financial statements include the accounts of the Company and all significant subsidiaries controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis.

The balance sheet date of 8 of the consolidated subsidiaries is December 31, and for 1 consolidated subsidiary, it is the end of February. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period between the balance sheet date of each subsidiary and the consolidated balance sheet date have been adjusted, if necessary. The differences between the acquisition and the fair value of the net assets at the respective dates of acquisition of the consolidated subsidiaries and companies accounted for by the equity method are recorded as goodwill amortized by the straight-line method over a period of 5 years.

All significant intercompany accounts and transactions and unrealized gain or loss on intercompany accounts and transactions are eliminated in consolidation.

b. Securities

Securities, except for investments in unconsolidated subsidiaries and affiliates, are classified as trading securities, held-to-maturity securities or other securities. Trading securities are carried at fair value. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any unrealized gain or loss reported as a separate component of net assets, net of taxes. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined principally by the moving-average method.

c. Inventories

Inventories are valued at the lower of cost and net realizable value with cost determined by the moving-average method.

d. Tangible Fixed Assets (excluding leased assets)

Tangible fixed assets, excluding leased assets, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any, except as indicated in the following paragraph.

Accumulated depreciation of tangible fixed assets at March 31, 2013 and 2012 amounted to ¥241,914 million ($2,572,185 thousand) and ¥182,650 million, respectively.

Depreciation of tangible fixed assets is computed as follows:

Flight equipment: the straight-line method based on its estimated useful life

Other: principally the straight-line method based on the estimated useful lives of the respective assets

The estimated useful lives are as follows:

Flight equipment: from 12 to 27 years

Other: from 2 to 65 years

Effective from April 1, 2012, the Company has changed useful lives of certain aircraft including spare parts to reviewed useful lives based on the estimated future use. As a result of this change, for the year ended March 31, 2013, operating income decreased by ¥3,452 million ($36,703 thousand) and income before income taxes and minority interests decreased by ¥3,192 million ($33,939 thousand) compared to the amounts that would have been reported if the previous methods had been applied consistently. The effects of this change in specific segments are described in the Segment Information section.

e. Software (excluding leased assets)

Computer software intended for internal use is amortized by the straight-line method based on its estimated useful life which ranges principally from 5 to 7 years.

f. Leased Assets

Depreciation of leased assets is computed as follows:

Leased assets arising from finance lease transactions that transfer the ownership of leased assets to the lessee are depreciated by the same method applied to assets arising from purchase transactions.

Leased assets under finance lease transactions that do not transfer the ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the lease term as the useful life.

As for certain consolidated subsidiaries, finance lease transactions that do not transfer the ownership of the leased assets to the lessee contracted prior to April 1, 2008, continue to be accounted for by a method corresponding to that used for ordinary operating lease transactions.

g. Allowance for Doubtful Accounts

General provision for doubtful accounts is provided by applying a reserve percentage to receivables based on experience from past transactions. When considered necessary, specific reserves are made based on the assessment of individual accounts.

h. Accrued Pension and Severance Costs

Accrued pension and severance costs are provided for defined benefit pension and retirement benefits based on the projected benefit obligation and the plan assets at the end of the fiscal year.

The unrecognized obligation at transition is being amortized by the straight-line method principally over a period of 15 years.

Actuarial differences are amortized by the straight-line method over a period ranging from 5 to 15 years, which is less than the average remaining years of service of the active participants in the plans. Amortization is computed from the fiscal year subsequent to the year in which the difference was recorded.

Past service cost is principally charged to income as incurred. However, at certain subsidiaries, past service cost is being amortized by the straight-line method over a period which is less than the average remaining years of service of the active participants in the plans.

i. Reserve for Loss on Antitrust Litigation

Estimated future loss is accrued in order to provide for penalty and compensation potentially arising from price cartel in cargo and passenger flight.

j. Reserve for Reconstruction on Business

Reserve for reconstruction on business is made for the amount of the estimated expenses to be incurred in connection with business reconstruction including removal of existing facilities under the reorganization plan.

k. Foreign Currency Translation

Income and expenses in foreign currencies are translated at the rates prevailing at the time of the transaction. Except as noted in l. Derivatives and Hedge Accounting. Foreign currency receivables and payables are translated into yen at the applicable year-end foreign exchange rates and any gain or loss on translation is included in current earnings.

Foreign currency translation adjustments arising from the translation of assets, liabilities, revenues and expenses of foreign consolidated subsidiaries and affiliates accounted for by the equity method into yen at the applicable exchange rates at the year end are presented as foreign currency translation adjustments and minority interests in the accompanying consolidated balance sheets.

l. Derivatives and Hedge Accounting

Derivatives positions are stated at fair value.

Gain or loss on derivatives designated as hedging instruments is deferred until the gain or loss on the underlying hedged items is recognized with any unrealized gain or loss reported as a separate component of net assets, net of taxes. Foreign currency receivables and payables are translated at the applicable forward foreign exchange rates if certain conditions are met.

m. Revenue Recognition

Passenger and cargo revenues are recognized when the transportation services are rendered.

n. Income Taxes

Deferred tax assets and liabilities are recognized for expected future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and operating loss and tax credit carryforwards. A valuation allowance is recorded to reduce deferred tax assets to their net realizable value if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

The Company and certain domestic consolidated subsidiaries adopted the Japanese consolidated corporate tax return system.

o. Cash Equivalents

Cash equivalents are defined as highly liquid, short-term investments with an original maturity of 3 months or less.

3. CHANGES IN ACCOUNTING POLICY

The Company and its consolidated domestic subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No. 24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors which are made from the fiscal year beginning on April 1, 2011.

There was no effect from this accounting change on the consolidated financial statements for the fiscal year ended March 31, 2012.

Effective from April 1, 2012, the Company's certain domestic subsidiaries and affiliates have changed their method of depreciation based on an amendment to the Corporation Tax Act of Japan for tangible fixed assets acquired on or after April 1, 2012. The effect of this change on the consolidated operating income and income before income taxes and minority interests for the year ended March 31, 2013 was immaterial.

Accounting Standards Issued but not yet Effective

- Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)
- Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

a. Summary

Under the amended rule, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss would be recognized within the net asset section, after adjusting for tax effects, and the deficit or surplus would be recognized as a liability or asset without any adjustments. For determining method of attributing expected benefit to periods, the Standard now allows to choose benefit formula basis, as well as straight-line basis. Method for determination of discount rate has also been amended.

b. Effective dates

Effective for the end of annual periods ending on or after March 31, 2014. Amendments relating to determination of retirement benefit obligations and current service costs are effective from the beginning of annual periods ending on or after March 31, 2015.

c. Effect of application of the standard

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

4. U.S. DOLLAR AMOUNTS

Amounts in U.S. dollars are included solely for the convenience of the reader. A rate of JPY 94.05 = USD 1.00, the approximate exchange rate prevailing on March 31, 2013, has been used in translation. The convenience translations should not be constructed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

5. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents in the accompanying consolidated statements of cash flows at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2013	2012	2013
Cash and time deposits	**¥ 347,986**	¥ 272,475	**$ 3,700,010**
Time deposits with a maturity of more than three months	**(248,573)**	(113,509)	**(2,642,987)**
Short-term investments in securities with a maturity of three months or less	**—**	30	**—**
Cash and cash equivalents	**¥ 99,413**	¥ 158,995	**$ 1,057,022**

6. INVESTMENTS IN SECURITIES OF NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in securities of non-consolidated subsidiaries and affiliates which were included in "Investments in securities" in the consolidated balance sheets at March 31, 2013 and 2012 amounted to ¥30,329 million ($322,477 thousand) and ¥29,223 million, respectively.

7. FAIR VALUES OF FINANCIAL INSTRUMENTS

The JAL Group manages its financial instruments to raise funds, principally for the purpose of flight equipment and facilities in accordance with management plans for air transportation, utilizing loans from financial institutions, finance lease transactions, and derivatives. Funds from short-term payables are utilized for ordinary operations. Funds from long-term loans payable and finance lease transactions are utilized for flight equipment and facilities. Derivatives are utilized for the purpose of reducing the risk on fluctuations of interest rates and foreign currency exchange rates, not for the purpose of speculation.

With respect to trade receivables, the JAL Group exercises due date management and outstanding balance management in accordance with internal policies. The JAL Group makes best efforts to identify and mitigate risks of bad debts from major customers with financial difficulties by periodically monitoring their creditworthiness. Short-term investments in securities and investments in securities are composed of mainly the shares of companies with which the JAL Group has business relationships. The JAL Group reviews the fair values of such financial instruments and the financial position of the issuers periodically in order to identify and mitigate risks of impairment. Most of accounts payable-trade is due within one year. As for derivatives, the JAL Group believes that the credit risks are extremely low, as it enters into derivative transactions only with reputable financial institutions with a sound credit profile.

In order to mitigate the risks of fluctuations in interest rates and foreign currency exchange rates on receivables and payables, the Company utilizes derivatives. The Group utilizes forward foreign currency exchange contracts to reduce the risk of foreign currency exchange rate fluctuations for specific foreign currency denominated receivables and payables, mainly for overseas travel service payables.

The JAL Group also utilizes commodity derivatives in order to mitigate the risk of fluctuations in commodity prices of fuel and stabilize such fuel costs.

There are internal policies for derivative transactions which set forth authorization levels and upper limits on transaction volumes and the JAL Group enters into derivative transactions in accordance with such policies. Moreover, monthly meetings are held with the attendance of board members responsible for derivatives to determine methods and ratios for minimizing risks as well as to report and confirm results of derivative transactions.

The fair value of financial instruments is based on the quoted market price, when it is available. When there is no market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in a different fair value.

The book value of financial instruments in the consolidated balance sheets, their fair value, and the difference as of March 31, 2013 and 2012 were as follows:

			Millions of yen
As of March 31, 2013	Book value	Fair value	Differences
Assets			
(1) Cash and time deposits	¥347,986	¥347,986	¥ —
(2) Notes and accounts receivable—trade	121,058	121,058	—
(3) Short-term investment securities and investment securities			
(i) Investments in securities of non-consolidated subsidiaries and affiliates	13,359	10,415	(2,943)
(ii) Other investment securities	19,749	19,749	—
Total	502,154	499,211	(2,943)
Liabilities			
(1) Accounts payable—trade	135,830	135,830	—
(2) Short-term borrowings	828	828	—
(3) Long-term loans payable	44,285	44,285	—
(4) Lease payable	113,394	113,394	—
Total	294,338	294,338	—
Derivatives*	¥ 14,515	¥ 14,939	¥ 424

* Derivatives assets and liabilities are stated on a net basis, and a net liability position is enclosed in parentheses.

			Thousands of U.S. dollars
As of March 31, 2013	Book value	Fair value	Differences
Assets			
(1) Cash and time deposits	$3,700,010	$3,700,010	$ —
(2) Notes and accounts receivable—trade	1,287,166	1,287,166	—
(3) Short-term investment securities and investment securities			
(i) Investments in securities of non-consolidated subsidiaries and affiliates	142,041	110,738	(31,291)
(ii) Other investment securities	209,984	209,984	—
Total	5,339,223	5,307,931	(31,291)
Liabilities			
(1) Accounts payable—trade	1,444,231	1,444,231	—
(2) Short-term borrowings	8,803	8,803	—
(3) Long-term loans payable	470,866	470,866	—
(4) Lease payable	1,205,677	1,205,677	—
Total	3,129,590	3,129,590	—
Derivatives*	$ 154,322	$ 158,841	$ 4,508

* Derivatives assets and liabilities are stated on a net basis, and a net liability position is enclosed in parentheses.

Millions of yen

As of March 31, 2012	Book value	Fair value	Differences
Assets			
(1) Cash and time deposits	¥272,475	¥272,475	¥ —
(2) Notes and accounts receivable—trade	117,005	117,005	—
(3) Short-term investment securities and investment securities			
(i) Investments in securities of non-consolidated subsidiaries and affiliates	12,988	7,662	(5,326)
(ii) Other investment securities	5,746	5,746	—
Total	408,215	402,889	(5,326)
Liabilities			
(1) Accounts payable—trade	125,185	125,185	—
(2) Short-term borrowings	561	561	—
(3) Long-term loans payable	56,709	56,709	—
(4) Lease payable	149,307	149,307	—
Total	331,764	331,764	—
Derivatives*	¥ 13,793	¥ 13,812	¥ 19

* Derivatives assets and liabilities are stated on a net basis, and a net liability position is enclosed in parentheses.

(i) Methods of calculating the fair value of financial instruments, including securities and derivatives transactions

Assets

(1) Cash on hand and in banks and (2) Notes and accounts receivable—trade

The fair value equates to the book value due to the short-term nature of these instruments.

(3) Short-term investment securities and Investment securities

The fair value of securities is determined based on the market price. These investment securities are described further in "Note 8. INVESTMENT SECURITIES".

Liabilities

(1) Accounts payable—trade and (2) Short-term borrowings

The fair value equates to the book value due to the short-term nature of these instruments.

(3) Long-term loans payable and (4) Lease payable

The fair value of long-term loans payable and lease payable with fixed interest rates is based on the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity.

Derivatives

Derivatives are described further in "Note 9. DERIVATIVES AND HEDGING ACTIVITIES".

(ii) Financial instruments for which the fair value is extremely difficult to measure

	Millions of yen		Thousands of U.S. dollars
As of March 31	2013	2012	2013
Investments in unconsolidated subsidiaries and affiliates	¥16,970	¥16,234	$180,435
Held-to-maturity securities	666	—	7,081
Other securities	5,088	4,783	54,098

The above are not included in "(3) (ii) Other investment securities" in the fair value of financial instruments because there is no market value and it is difficult to measure the fair value.

(iii) Redemption schedule for monetary claims and securities with maturity date subsequent to the consolidated balance sheet date

Millions of yen

As of March 31, 2013	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and time deposits	¥347,986	¥—	¥—	¥—
Notes and accounts receivable—trade	121,058	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity securities	—	—	—	666

Thousands of U.S. dollars

As of March 31, 2013	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and time deposits	$3,700,010	$—	$—	$—
Notes and accounts receivable—trade	1,287,166	—	—	—
Short-term investment securities and investment securities				
Held-to-maturity securities	—	—	—	7,081

Millions of yen

As of March 31, 2012	Within one year	More than one year, within five years	More than five years, within ten years	More than ten years
Cash and time deposits	¥272,475	¥—	¥—	¥—
Notes and accounts receivable—trade	117,005	—	—	—

Redemption schedule for short-term and long-term debt subsequent to the consolidated balance sheet date is described in "Note 10. SHORT-TERM BORROWINGS AND LONG-TERM DEBT".

8. INVESTMENT SECURITIES

No trading securities were held at March 31, 2013 and 2012. Securities classified as other securities are included in "Short-term investments in securities" and "Investments in securities" in the accompanying consolidated balance sheets.

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2013 and 2012 were summarized as follows:

Millions of yen

As of March 31, 2013	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain: Stocks	¥15,799	¥19,349	¥3,549
	15,799	19,349	3,549
Unrealized loss: Stocks	610	400	(210)
	610	400	(210)
Total	¥16,410	¥19,749	¥3,339

As of March 31, 2013	Acquisition costs	Carrying value	Unrealized gain (loss)
			Thousands of U.S. dollars
Unrealized gain:			
Stocks	$167,985	$205,730	$37,735
	167,985	205,730	37,735
Unrealized loss:			
Stocks	6,485	4,253	(2,232)
	6,485	4,253	(2,232)
Total	$174,481	$209,984	$35,502

As of March 31, 2012	Acquisition costs	Carrying value	Unrealized gain (loss)
			Millions of yen
Unrealized gain:			
Stocks	¥ 272	¥ 416	¥ 143
	272	416	143
Unrealized loss:			
Stocks	6,071	5,330	(741)
	6,071	5,330	(741)
Total	¥6,344	¥5,746	¥(597)

Proceeds from sales of securities classified as other securities for the years ended March 31, 2013 and 2012 amounted to 130 million ($1,382 thousand) and ¥1,570 million, respectively. For the years ended March 31, 2013 and 2012 the aggregate gain realized on those sales totaled ¥49 million ($520 thousand) and ¥210 million, respectively, and the aggregate loss realized on those sales totaled ¥0 million ($0 thousand) and ¥2 million, respectively.

9. DERIVATIVES AND HEDGING ACTIVITIES

Certain consolidated subsidiaries utilize forward foreign exchange contracts and currency options on a consistent basis to hedge certain foreign currency transactions related to foreign purchase commitments, principally for flight equipment and foreign accounts receivable and payable, and other items. The Company also enters into a variety of options in its management of risk exposure related to the commodity prices of fuel.

The Company and certain consolidated subsidiaries enter into these hedging transactions in accordance with the internal guidelines and strategies established by management. The routine operations of the department which is responsible for hedging transactions are examined by other departments. Gain and loss on hedging instruments and the assessment of hedge effectiveness, which is performed both at inception and on an ongoing basis, are reported at meetings of the related department managers on a timely basis. Other consolidated subsidiaries have adopted procedures for hedging transactions which are more simplified than those adopted by the Company.

The contract amount and the estimated fair value of the open derivatives positions at March 31, 2013 and 2012, which met the criteria required for the application of hedge accounting are summarized as follows:

As of March 31, 2013		Millions of yen			Thousands of U.S. dollars		
		Contract amounts			Contract amounts		
Type of derivatives	Major hedged items	Total	Maturing after 1 year	Estimate fair value	Total	Maturing after 1 year	Estimate fair value
Forward foreign currency exchange contracts:							
Buy:							
USD	Accounts payable—trade	¥41,252	¥15,757	¥ 7,381	$438,617	$167,538	$ 78,479
EUR	Accounts payable—trade	2,660	—	255	28,282	—	2,711
Others	Accounts payable—trade	1,158	—	186	12,312	—	1,977
Currencies options:							
Buy:							
Call option	Accounts payable—trade	168,373	8,151	7,466	1,790,249	86,666	79,383
Sell:							
Put option	Accounts payable—trade	63,346	7,745	(1,930)	673,535	82,349	(20,520)
Commodity swap:							
Received variable/pay fixed	Aircraft fuel	99,175	25,225	919	1,054,492	268,208	9,771
Commodity options:							
Buy	Aircraft fuel	135,944	—	236	1,445,443	—	2,509
Method of hedge accounting: Special treatment (Note 2. l.)							
Forward foreign currency exchange contracts:							
Buy:							
USD	Accounts payable—trade	2,572	—	373	27,347	—	3,965
EUR	Accounts payable—trade	143	—	29	1,520	—	308
Others	Accounts payable—trade	94	—	21	999	—	223
Total				¥14,939			$158,841

All derivative transactions were conducted as over-the-counter transactions. Fair value is estimated based on prices quoted by financial institutions and others.

Millions of yen

As of March 31, 2012		Contract amounts		
Type of derivatives	Major hedged items	Total	Maturing after 1 year	Estimate fair value
Forward foreign currency exchange contracts:				
Buy:				
USD	Accounts payable—trade	¥ 81,790	¥13,473	¥ 3,050
EUR	Accounts payable—trade	1,643	—	79
Others	Accounts payable—trade	886	—	54
Currencies options:				
Buy:				
Call option	Accounts payable—trade	113,825	—	5,009
Commodity swap:				
Received variable/ pay fixed	Aircraft fuel	45,786	16,063	3,202
Commodity options:				
Buy	Aircraft fuel	112,598	—	2,396
Method of hedge accounting: Special treatment (Note 2. l.)				
Forward foreign currency exchange contracts:				
Buy:				
USD	Accounts payable—trade	1,299	—	20
EUR	Accounts payable—trade	96	—	(2)
Others	Accounts payable—trade	140	—	1
Total				¥13,812

All derivative transactions were conducted as over-the-counter transactions. Fair value is estimated based on prices quoted by financial institutions and others.

10. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

The weighted-average interest rate for short-term borrowings outstanding at March 31, 2013 was 0.3%. Long-term debt at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	Weighted-average interest rates
As of March 31	2013	2012	2013	2013
Long-term loans:				
Current portion of long-term loans payable	¥ 9,767	¥ 10,197	$ 103,849	1.2%
Long-term loans payable (excluding current portion) due 2014 to 2023	34,517	46,512	367,006	1.6%
Lease payable:				
Current portion of lease payable	35,801	35,997	380,659	0.1%
Lease payable (excluding current portion) due 2014 to 2019	77,592	113,310	825,007	0.2%
Other, due to 2013 to 2021	1,637	1,881	17,405	2.0%
Total	¥159,317	¥207,898	$1,693,960	

The aggregate annual maturities of long-term debt within 5 years subsequent to March 31, 2013 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥45,810	$ 487,081
2015	36,941	392,780
2016	29,617	314,906
2017	17,262	183,540
2018	9,582	101,881
2019 and thereafter	20,102	213,737
Total	¥159,317	$1,693,960

Assets pledged as collateral at March 31, 2013 for long-term and short-term debt of ¥45,112 million ($479,659 thousand) are flight equipment and others of ¥197,789 million ($2,103,019 thousand). Assets pledged as collateral at March 31, 2012 for long-term and short-term debt of ¥57,769 million are flight equipment and others of ¥216,491 million.

Also included as part of pledged assets are certain assets set aside for revolving pledges on obligations accompanying syndicated loans taken out by an affiliate, Tokyo International Airport Terminal Corporation, for core business purposes. The amounts include security deposits paid to the banks regarding derivative transactions.

The Company entered into loan commitment agreements amounting to ¥50,000 million ($531,632 thousand) with three banks. There were no loan payables outstanding at March 31, 2013 under these loan commitment agreements.

11. RETIREMENT BENEFIT PLANS

a. Outline of Current Retirement Benefit System

An employee whose employment is terminated is entitled, in most cases, to pension annuity payments or to a lump-sum severance payment determined by reference to the employee's basic rate of pay, length of service and the conditions under which the termination occurs.

The Company and certain significant domestic consolidated subsidiaries have established contributory defined benefit pension plans such as corporate pension funds and lump-sum severance indemnity plans. In certain cases, additional severance payments may be provided.

As of March 31, 2013, the Company and 42 consolidated subsidiaries had adopted a lump-sum severance indemnity plan. Additionally, there were 3 corporate pension funds, including the Japan Airlines Welfare Pension Fund. Certain foreign subsidiaries have also established contributory defined benefit pension plans.

The Japan Airlines Welfare Pension Fund also introduced an option similar to a cash-balance plan as well as other alternatives. The JAL Group Pension Fund, which was established by certain consolidated subsidiaries, introduced a cash-balance plan option.

b. Retirement Benefit Obligation

The projected benefit obligation and the funded status of the plans at March 31, 2013 and 2012 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2013	2012	2013
Projected benefit obligation	¥(404,537)	¥(401,518)	$(4,301,297)
Plan assets	233,109	233,288	2,478,654
Accrued pension and severance costs	154,483	154,800	1,642,562
Prepaid pension and severance costs	(892)	(1,059)	(9,484)
Net unrecognized amount	¥ (17,838)	¥ (14,488)	$ (189,665)

The net unrecognized amounts at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2013	2012	2013
Unrecognized benefit obligation at transition	¥ (1,371)	¥ (2,056)	$ (14,577)
Actuarial differences	(16,920)	(12,933)	(179,904)
Past service costs	453	501	4,816
Net unrecognized amounts	¥(17,838)	¥(14,488)	$(189,665)

In computing the projected benefit obligation, small companies are permitted to adopt certain simplified methods and certain subsidiaries have done so.

c. Components of Net Periodic Retirement Benefit Expenses

The components of net periodic pension and severance costs excluding the employees' contributory portion for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2013	2012	2013
Service cost	¥ 9,974	¥ 9,969	$106,049
Interest cost on projected benefit obligation	8,312	8,371	88,378
Expected return on plan assets	(3,526)	(3,554)	(37,490)
Amortization of unrecognized severance benefit obligation at transition	685	715	7,283
Amortization of actuarial differences	1,599	1,704	17,001
Amortization of past service costs	(24)	(80)	(255)
Subtotal	17,021	17,126	180,978
Other	1,574	1,603	16,735
Net periodic retirement benefit expenses	18,595	18,729	197,713
Loss (gain) on partial termination of defined benefit plan, net	—	(1,134)	—
Effect of changes to the standard method of accounting for the projected benefit obligation	1,472	547	15,651
Total	¥20,067	¥18,142	$213,365

Special additional termination benefits paid, but not included in determining the projected benefit obligation, were charged to income when incurred. The amounts charged to income amounted to ¥47 million for the year ended March 31, 2012. "Other" consists of contributions to defined contribution plans and lump-sum payments of retirement benefits based on an early payment scheme.

d. Basis for Calculation of Retirement Benefit Obligations

As of March 31	2013	2012
Periodic allocation of estimated retirement benefits	Straight-line method	Straight-line method
Discount rates for projected benefit obligation at the end of year	1.0%–2.3%	1.7%–2.5%
Expected rates of return on plan assets	1.0%–2.5%	1.0%–2.5%

12. INCOME TAX

The significant components of deferred tax assets and liabilities and the related valuation allowances at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2013	2012	2013
Deferred tax assets:			
Accrued pension and severance costs	¥ 53,681	¥ 54,175	$ 570,770
Lease obligations	35,913	48,988	381,850
Deferred liability on aircraft and aircraft equipment	7,540	9,244	80,170
Accounts payable—trade	8,692	8,123	92,418
Non-recurring depreciation	2,280	2,935	24,242
Reserve for loss on antitrust litigation	2,219	2,513	23,593
Asset retirement obligations	1,514	1,017	16,097
Tax loss carryforwards	347,617	392,211	3,696,087
Other	8,524	10,561	90,632
	467,984	529,772	4,975,906
Valuation allowance	(439,926)	(490,497)	(4,677,575)
	28,058	39,275	298,330
Deferred tax liabilities:			
Leased assets	21,543	29,085	229,059
Undistributed earnings of consolidated subsidiaries and affiliates	4,639	6,519	49,324
Deferred gain on hedging instruments	4,441	3,298	47,219
Other	2,444	2,445	25,986
	33,069	41,351	351,610
Net deferred tax assets (liabilities)	¥ (5,011)	¥ (2,075)	$ (53,280)

A reconciliation between the Japanese statutory income tax rate and the Company's and the consolidated subsidiaries' effective tax rates for the years ended March 31, 2013 and 2012 were as follows:

Years ended March 31	2013	2012
	%	%
Statutory rate	36.7	39.7
Equity in earnings/losses of affiliates	0.4	(0.2)
Changes in valuation allowance	(28.5)	(34.6)
Undistributed earnings of consolidated subsidiaries and affiliates	(1.0)	(0.0)
Tax rate change	—	(0.4)
Other	(0.3)	(0.3)
Effective tax rate	7.3	4.2

Income taxes in Japan applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' taxes and enterprise tax. Income taxes of foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

Following the enactment on December 2, 2011 of the "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011), the corporate tax rate will be reduced and a special recovery tax will be imposed effective from the fiscal year beginning April 1, 2012.

In accordance with this reform, the effective statutory tax rates, which are used to measure deferred tax assets and deferred tax liabilities, will be reduced to 37.0% from 39.7% for temporary differences that are expected to be realized during April 1, 2012 through March 31, 2015, and to 34.6% for temporary differences that are expected to be realized on and after April 1, 2015.

13. NET ASSETS

The Companies Act of Japan (the "Act"), provides that an amount equal to at least 10% of the amount to be disbursed as distributions of capital surplus (except for distributions from additional paid-in capital) and retained earnings (except for distributions from the legal reserve) be appropriated to additional paid-in capital and the legal reserve, respectively, until the sum of additional paid-in capital and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the stockholders, or by the Board of Directors if certain conditions are met, but neither additional paid-in capital nor the legal reserve is available for distribution by resolution of the Board of Directors.

A company may, by a resolution of its Board of Directors, designate an amount not exceeding half of the price of new shares as additional paid-in capital, which is included in capital surplus. The maximum amount that a company can distribute as dividends is calculated based on its unconsolidated financial statements in accordance with the Act.

At the annual stockholders' meeting held on June 19, 2013, the stockholders approved cash dividends amounting to ¥32,385 million ($344,338 thousand). Such appropriations have not been accrued in the Consolidated Financial Statement as of March 31, 2013. Such appropriations are recognized in the period in which they are approved by the stockholders. The total number and changes in the total number of shares of stock authorized, in issue and common stock in treasury for the year ended March 31, 2013 were as follows:

Thousands of shares

Year ended March 31, 2013	At April 1, 2012	Increase	Decrease	At March 31, 2013
Number of shares of stock authorized:				
Common stock	225,000	125,000	—	350,000
Preferred stock	50,000	—	—	50,000
Total	275,000	125,000	—	400,000
Number of shares of stock in issue:				
Common stock	181,352	—	—	181,352
Total	181,352	—	—	181,352
Number of shares of common stock in treasury:				
Common stock	—	31	—	31
Total	—	31	—	31

The increase in common stock in treasury of 31 thousand shares during the year ended March 31, 2013 resulted from the Company's purchases of the equivalent of 31 thousand shares by affiliates accounted for by the equity method.

The total number and changes in the total number of shares of stock authorized and in issue for the year ended March 31, 2012 were as follows:

Thousands of shares

Year ended March 31, 2012	At April 1, 2011	Increase	Decrease	At March 31, 2012
Number of shares of stock authorized:				
Common stock	225,000	—	—	225,000
Preferred stock	50,000	—	—	50,000
Total	275,000	—	—	275,000
Number of shares of stock in issue:				
Common stock	181,352	—	—	181,352
Total	181,352	—	—	181,352

14. OTHER COMPREHENSIVE INCOME

Reclassification adjustments for each component of other comprehensive income including tax effect for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2013	2012	2013
Net unrealized gains (losses) on other securities, net of taxes:			
Unrealized holding gains arising during the period	¥ 4,189	¥ 65	$ 44,540
Less: Reclassification adjustment included in net income	—	—	—
Pre-tax amount	4,189	65	44,540
Tax benefit/(expense)	(1,169)	21	(12,429)
Net Unrealized gains (losses) on securities, net	3,019	87	32,099
Deferred gains (losses) on hedges, net of taxes:			
Deferred gains (losses) during the period	3,824	(3,066)	40,659
Less: Reclassification adjustment included in net income	(1,691)	7,649	(17,979)
Pre-tax amount	2,133	4,583	22,679
Tax benefit/(expense)	(775)	(1,596)	(8,240)
Deferred gains (losses), net of taxes	1,358	2,986	14,439
Foreign currency translation adjustments:			
Translation adjustments arising during the period	931	(76)	9,898
Less: Reclassification adjustment included in net income	—	654	—
Foreign currency translation adjustments	931	577	9,898
Share of other comprehensive income of associates accounted for by the equity method:			
Share of other comprehensive income of associates accounted for by the equity method arising during the period	1	25	10
Total other comprehensive income	¥ 5,310	¥ 3,676	$ 56,459

15. LOSS ON SALES AND DISPOSAL OF FIXED ASSETS

The main components of loss on sales and disposal of fixed assets for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2013	2012	2013
Loss on sales and disposal of fixed assets:			
Buildings and structures	¥216	¥651	$2,296
Land	130	105	1,382
Machinery and vehicles	30	44	318

16. LOSS ON IMPAIRMENT OF FIXED ASSETS

Assets are attributed or allocated to cash generating units which generated largely independent cash flows for calculating impairment losses. Assets to be sold and idle assets are written down to their respective recoverable amounts.

The Company and its consolidated subsidiaries estimated recoverable amounts at the higher of fair value less costs to sell and value in use. Fair value is based on reasonable estimates made by the Company and its consolidated subsidiaries in accordance with the contract amounts of sales for the periods ended March 31, 2013 and 2012, respectively.

Certain consolidated subsidiaries have recognized impairment losses on the following groups of assets in the accompanying consolidated statement of income for the year ended March 31, 2013:

Assets utilized in the Company's and consolidated subsidiaries' operations	Groups of assets	Locations
Assets to be sold	Machinery and vehicles	Ota-ku, Tokyo
Idle assets	Flight equipment	—

An impairment loss of ¥1,764 million ($18,755 thousand) was recognized as an extraordinary loss in the accompanying consolidated statement of income for the year ended March 31, 2013. A breakdown of the total loss on impairment of fixed assets was as follows: ¥1,081 million ($11,493 thousand) on flight equipment, ¥204 million ($2,169 thousand) on buildings and structures, and ¥479 million ($5,093 thousand) on machinery.

Certain consolidated subsidiaries have recognized impairment losses on the following groups of assets in the accompanying consolidated statement of income for the year ended March 31, 2012:

Assets utilized in the Company's and consolidated subsidiaries' operations	Groups of assets	Locations
Assets to be sold	Land, buildings and structures, Machinery and vehicles	Tomisato-shi, Chiba and other
Idle assets	Flight equipment	—

An impairment loss of ¥2,433 million was recognized as an extraordinary loss in the accompanying consolidated statement of income for the year ended March 31, 2012. A breakdown of the total loss on impairment of fixed assets was as follows: ¥983 million on flight equipment, ¥758 million on buildings and structures, ¥458 million on machinery, and ¥233 million on land.

17. SUPPLEMENTARY CASH FLOW INFORMATION

The assets and liabilities of subsidiaries excluded from consolidation following the sales of their shares of common stock during the year ended March 31, 2012 were as follows:

Year ended March 31, 2012	Millions of yen
Current assets	¥ 755
Fixed assets	105
Current liabilities	(105)
Minority interests	(327)
Foreign currency translation adjustments	371
Gain on sales of investments in securities, net	102
Proceeds from sales of shares of common stock	900
Accounts receivable	(13)
Charges on proceeds from sales of shares	(39)
Cash and cash equivalents held by subsidiaries	(592)
Net proceeds	¥ 254

The assets and liabilities of a subsidiary included in consolidation following the purchase of its shares during the year ended March 31, 2012 were as follows:

Year ended March 31, 2012	Millions of yen
Current assets	¥ 8,552
Fixed assets	4,498
Current liabilities	(2,420)
Non-current liabilities	(2,412)
Minority interests	(420)
Expenditure for purchase of shares of common stock	7,798
Gain on step acquisition	(1,124)
Valuation by the equity method	(2,372)
Cash and cash equivalents held by subsidiaries	(5,660)
Net proceeds	¥ 1,360

18. LEASES

As Lessee

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2013 and 2012, and the related depreciation and interest expense for the periods ended March 31, 2013 and 2012, which would have been reflected in the accompanying consolidated balance sheets and the related consolidated statements of income if finance lease accounting had been applied to the finance leases currently accounted for as operating leases whose contracts were entered into prior to April 1, 2008:

		Millions of yen	
As of March 31, 2013	Acquisition cost	Less accumulated depreciation	Net book value
Flight equipment	¥ 988	¥ 840	¥148
Machinery, equipment and vehicles	1,146	996	149
Other	407	317	90
Total	¥2,542	¥2,154	¥388

		Thousands of U.S. dollars	
As of March 31, 2013	Acquisition cost	Less accumulated depreciation	Net book value
Flight equipment	$10,505	$ 8,931	$1,573
Machinery, equipment and vehicles	12,185	10,590	1,584
Other	4,327	3,370	956
Total	$27,028	$22,902	$4,125

As of March 31, 2012	Acquisition cost (Millions of yen)	Less accumulated depreciation (Millions of yen)	Net book value (Millions of yen)
Flight equipment	¥ 988	¥ 741	¥246
Machinery, equipment and vehicles	2,105	1,642	463
Other	636	439	197
Total	¥3,730	¥2,822	¥907

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2013	2012	2013
Lease expenses	¥518	¥739	$5,507
Depreciation equivalent	480	684	5,103
Interest equivalents	27	56	287

The present value of future rental expenses under finance leases accounted for as operating leases outstanding at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2013	2012	2013
Within 1 year	¥312	¥511	$3,317
Over 1 year	94	407	999
Total	¥407	¥919	$4,327

Depreciation equivalent is calculated by the straight-line method on the assumption that the useful lives of the related assets are the same as the lease term and the residual value is zero.

Interest expense equivalent is calculated on the assumption that the difference between aggregate lease rentals and the acquisition cost of leased assets is deemed to be the interest portion and is apportioned over the term of the lease by the interest method.

No impairment loss has been recognized on leased property under finance leases accounted as operating leases for the year ended March 31, 2013 and 2012.

Future rental expenses under operating leases outstanding at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2013	2012	2013
Within 1 year	¥ 36,498	¥ 34,860	$ 388,070
Over 1 year	170,276	193,703	1,810,483
Total	¥206,774	¥228,563	$2,198,553

19. CONTINGENT LIABILITIES

At March 31, 2013 and 2012, contingent liabilities for guarantees, principally for employees, amounted to ¥341 million ($3,625 thousand) and ¥431 million, respectively.

20. AMOUNTS PER SHARE

Basic net income per share is computed based on the net income available for distribution to or allocable to the stockholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the net income available for distribution to the stockholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the potentially dilutive securities to be issued upon the conversion of convertible bonds. However, diluted net income per share had not been presented for the years ended March 31, 2013 and 2012 since the Company had no equity instruments issued that had a dilutive effect on earnings per share.

	Yen		U.S. dollars
Year ended March 31	2013	2012	2013
Net income per share of common stock:			
Basic	¥946.71	¥1,029.03	$10.06
Diluted	—	—	—

The following table sets forth the computation of basic net income per share of common stock and diluted net income per share of common stock for the years ended March 31, 2013 and 2012:

	Yen		U.S. dollars
Year ended March 31	2013	2012	2013
Net income (allocable to) available for stockholders of common stock:			
Net income	¥171,672	¥186,616	$1,825,326
Appropriations for payment of preferred dividend	—	—	—
	¥171,672	¥186,616	$1,825,326

	Thousands of shares	
Years ended March 31	2013	2012
Weighted-average number of shares of common stock outstanding	181,335	181,352

Net assets per share are computed based on the net assets available for distribution to the stockholders of common stock and the number of shares of common stock outstanding at each balance sheet date.

	Yen		U.S. dollars
As of March 31	2013	2012	2013
Net assets per share of common stock	¥3,116.30	¥2,142.37	$33.13

21. ASSET RETIREMENT OBLIGATIONS

a. Asset retirement obligations recognized in the consolidated balance sheets at March 31, 2013 and 2012

The Company and its consolidated subsidiaries, in connection with some buildings and land, have entered into real estate lease contracts with terms ranging from 2 to 46 years and 1 to 45 years for the years ended March 31, 2013 and 2012, respectively. Asset retirement obligations have been recognized in respect of the obligation of the Company and its consolidated subsidiaries to the owner of the buildings and land to remove the facilities from leased real estate at the end of those contracts. The liabilities at March 31, 2013 and 2012 have been calculated with expected useful lives ranging from 2 to 46 years and 1 to 45 years, respectively, and discount rates ranging from 0.1% to 2.5% and 0.4% to 2.5%, respectively.

The following table summarizes the changes in the aggregate carrying amount of asset retirement obligations for the years ended March 31, 2013 and 2012:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2013	2012	2013
Balance at beginning of year	¥3,166	¥3,189	$33,662
Increase due to purchases of tangible fixed assets	—	0	—
Accretion due to the passage of time	60	59	637
Decrease due to settlement	(3)	(69)	(31)
Changes in estimated obligations and accretion	1,047	—	11,132
Other	—	(12)	—
Balance at end of year	¥4,271	¥3,166	$45,412

b. Asset retirement obligations not recognized in the consolidated balance sheets as of March 31, 2013 and 2012

The Company and its consolidated subsidiaries have rented lots and buildings from domestic service airports based on the permission of national property use and the real estate rental contract about national property, and have obligation to remove the facilities from leased real estate. The enterprise of the Company and its consolidated subsidiaries have a large role of public traffic, and depend on the trend of the aviation administration of a country. For this reason, the time of building withdrawal and leaving cannot be determined only by discretion of the Company about the rented airport related facilities. Moreover, since there is also no schedule of building withdrawal and leaving at present, asset retirement obligations cannot be estimated rationally. Therefore, the asset retirement obligations corresponding to the debt concerned is not added up.

22. SEGMENT INFORMATION

The reportable segments of the Company and its consolidated subsidiaries are components for which discrete financial information is available and whose operating results are regularly reviewed by the Executive Committee to make decisions about resource allocation and to assess performance. Air transportation includes international and domestic passenger operations, cargo operations and other transportation services.

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in Note 2. Inter-group sales are recorded at the same conditions used in transactions with third parties.

					Millions of yen
Year ended March 31, 2013	Air transportation	Other	Total	Eliminations	Consolidated
Net sales					
External	¥ 984,692	¥254,146	¥1,238,839	¥ —	¥1,238,839
Intersegment	121,456	150,685	272,142	(272,142)	—
Total	1,106,148	404,832	1,510,981	(272,142)	1,238,839
Operating income	¥ 171,182	¥ 24,896	¥ 196,079	¥ (837)	¥ 195,242
Assets	¥1,157,181	¥206,509	¥1,363,690	¥(147,078)	¥1,216,612
Depreciation	¥ 78,651	¥ 2,423	¥ 81,074	¥ (70)	¥ 81,004
Impairment losses	¥ 1,764	¥ —	¥ 1,764	¥ —	¥ 1,764
Investments in companies accounted for using the equity method	¥ 1,410	¥ 21,330	¥ 22,740	¥ —	¥ 22,740
Capital expenditure	¥ 122,635	¥ 2,725	¥ 125,361	¥ (679)	¥ 124,681

					Thousands of U.S. dollars
Year ended March 31, 2013	Air transportation	Other	Total	Eliminations	Consolidated
Net sales					
External	$10,469,877	$2,702,243	$13,172,131	$ —	$13,172,131
Intersegment	1,291,398	1,602,179	2,893,588	(2,893,588)	—
Total	11,761,275	4,304,433	16,065,720	(2,893,588)	13,172,131
Operating income	$ 1,820,116	$ 264,710	$ 2,084,837	$ (8,899)	$ 2,075,938
Assets	$12,303,891	$2,195,736	$14,499,627	$(1,563,827)	$12,935,800
Depreciation	$ 836,267	$ 25,762	$ 862,030	$ (744)	$ 861,286
Impairment losses	$ 18,755	$ —	$ 18,755	$ —	$ 18,755
Investments in companies accounted for using the equity method	$ 14,992	$ 226,794	$ 241,786	$ —	$ 241,786
Capital expenditure	$ 1,303,934	$ 28,973	$ 1,332,918	$ (7,219)	$ 1,325,688

As described in "Note 2. d. Tangible Fixed Assets", effective from April 1, 2012, the Company has changed useful lives of certain aircrafts including spare parts to reviewed useful lives based on the estimated future use. As a result of this change, for the year ending March 31, 2013, operating income of the air transportation segment decreased by ¥3,452 million ($36,703 thousand) compared to the amounts that would have been reported if the previous methods had been applied consistently.

Millions of yen

Year ended March 31, 2012	Air transportation	Other	Total	Eliminations	Consolidated
Net sales					
External	¥ 958,710	¥246,102	¥1,204,813	¥ —	¥1,204,813
Intersegment	122,443	124,665	247,108	(247,108)	—
Total	1,081,154	370,767	1,451,922	(247,108)	1,204,813
Operating income	¥ 187,920	¥ 17,334	¥ 205,254	¥ (332)	¥ 204,922
Assets	¥1,006,025	¥197,408	¥1,203,434	¥(115,806)	¥1,087,627
Depreciation	¥ 78,514	¥ 2,740	¥ 81,254	¥ (31)	¥ 81,222
Impairment losses	¥ 2,433	¥ —	¥ 2,433	¥ —	¥ 2,433
Investments in companies accounted for using the equity method	¥ 1,633	¥ 20,566	¥ 22,199	¥ —	¥ 22,199
Capital expenditure	¥ 97,003	¥ 952	¥ 97,956	¥ —	¥ 97,956

Information by Geographical Area

Operating revenues from overseas operations, which include international passenger and cargo services of domestic consolidated airline subsidiaries rendered during the years ended March 31, 2013 and 2012, export sales of domestic consolidated subsidiaries, and sales of consolidated subsidiaries outside Japan, for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31	2013	2012	2013
Asia and Oceania	**¥222,244**	¥220,694	**$2,363,040**
North America	**156,046**	143,442	**1,659,181**
Europe	**90,571**	89,699	**963,009**
Total	**¥468,861**	¥453,835	**$4,985,231**

Information about amortization and unamortized balances of goodwill by segment for the years ended March 31, 2013 and 2012 were as follows:

Millions of yen

Year ended March 31, 2013	Air transportation	Other	Total	Eliminations	Consolidated
Amortization during the year	**¥ —**	**¥ 836**	**¥ 836**	**¥ —**	**¥ 836**
Unamortized balance	**—**	**3,004**	**3,004**	**—**	**3,004**

Thousands of U.S. dollars

Year ended March 31, 2013	Air transportation	Other	Total	Eliminations	Consolidated
Amortization during the year	**$ —**	**$ 8,888**	**$ 8,888**	**$ —**	**$ 8,888**
Unamortized balance	**—**	**31,940**	**31,940**	**—**	**31,940**

Millions of yen

Year ended March 31, 2012	Air transportation	Other	Total	Eliminations	Consolidated
Amortization during the year	¥ —	¥ 422	¥ 422	¥ —	¥ 422
Unamortized balance	—	2,299	2,299	—	2,299

23. RELATED PARTY INFORMATION

There are no material transactions that need to be presented for the years ended March 31, 2013 and 2012.

Independent Auditor's Report

To the Board of Directors of Japan Airlines Co., Ltd.:

We have audited the accompanying consolidated financial statements of Japan Airlines Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Japan Airlines Co., Ltd. and its consolidated subsidiaries as at March 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4 to the consolidated financial statements.

KPMG AZSA LLC
June 20, 2013
Tokyo, Japan

Consolidated Subsidiaries

Number of Group Companies

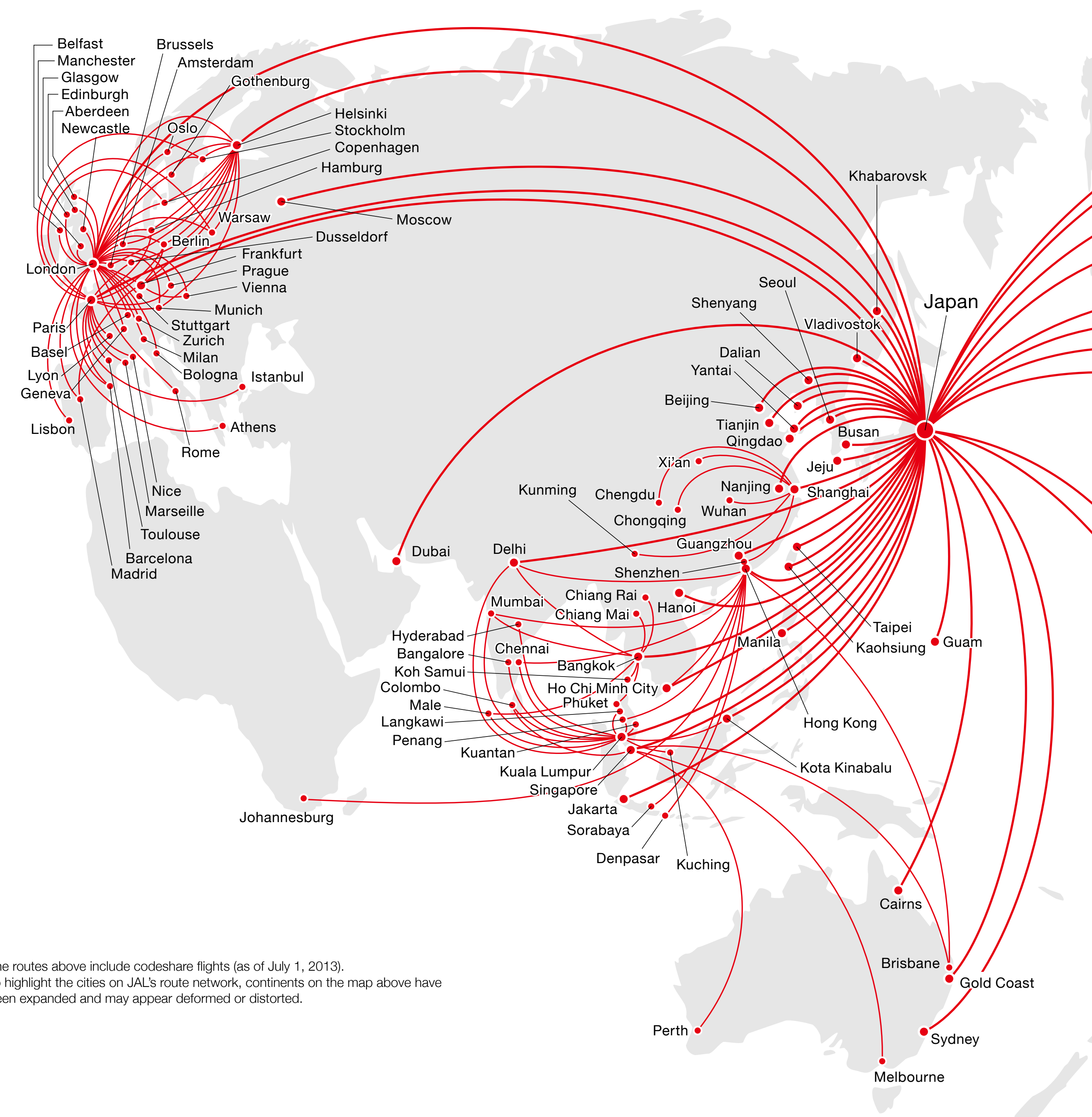
Business Segment	Number of Subsidiaries	Consolidated Subsidiaries	Affiliated Companies	Equity Method Affiliates
Air Transport Business	5	5	1	1
Other	96	54	61	12
Group Total	101	59	62	13

Company Name	Paid-in Capital (Millions of yen)		Ratio of Voting Rights		
			Direct (%)	Indirect (%)	Total (%)
Air Transport Business (Air Transport Business)					
JAPAN TRANSOCEAN AIR CO., LTD.		4,537	72.8	—	72.8
JAL EXPRESS CO., LTD.		2,500	100.0	—	100.0
JAPAN AIR COMMUTER CO., LTD.		300	60.0	—	60.0
J-AIR CO., LTD.		200	100.0	—	100.0
RYUKYU AIR COMMUTER CO., LTD.		396	—	74.5	74.5
Other (Airport Passenger Handling)					
JAL SKY CO., LTD.		100	100.0	—	100.0
JALSKY OSAKA CO., LTD.		30	100.0	—	100.0
JALSKY KYUSHU CO., LTD.		30	100.0	—	100.0
JALSKY SAPPORO CO., LTD.		30	100.0	—	100.0
JALSKY NAHA CO., LTD.		30	51.0	49.0	100.0
JTA SOUTHERN SKY SERVICE CO., LTD.		20	—	100.0	100.0
JALSKY KANAZAWA CO., LTD.		10	100.0	—	100.0
JALSKY SENDAI CO., LTD.		10	100.0	—	100.0
Other (Ground Handling)					
JAL GROUND SERVICE CO., LTD.		474	99.8	0.2	100.0
JAL GROUND SERVICE TOKYO CO., LTD.		20	—	100.0	100.0
JAL GROUND SERVICE OSAKA CO., LTD.		10	—	100.0	100.0
JAL GROUND SERVICE KYUSHU CO., LTD.		10	—	100.0	100.0
JAL GROUND SERVICE SAPPORO CO., LTD.		10	—	97.7	97.7
OKINAWA AIRPORT SERVICE CO., LTD.		33	70.6	29.4	100.0
Other (Maintenance)					
JAL AIRTECH CO., LTD.		315	66.6	3.4	70.0
JAL ENGINEERING CO., LTD.		80	100.0	—	100.0
JAL SIMULATOR ENGINEERING CO., LTD.		10	100.0	—	100.0
JAL MAINTENANCE SERVICE CO., LTD.		10	100.0	—	100.0
Other (Cargo)					
JAL KANSAI AIRCARGO SYSTEM CO., LTD.		123	69.2	—	69.2
JAL CARGO SERVICE CO., LTD.		50	100.0	—	100.0
JAL CARGO HANDLING CO., LTD.		50	—	100.0	100.0
JAL CARGO SERVICE KYUSHU CO., LTD.		20	40.0	40.0	80.0
Other (Airline-Related Business)					
JAL ROYAL CATERING CO., LTD.		2,000	51.0	—	51.0
OKINAWA FUELING FACILITIES CO., LTD.		100	40.0	20.0	60.0
JAL ABC, INC.		100	51.0	—	51.0
Other (Passenger Sales)					
JALPAK CO., LTD.*		80	96.4	1.2	97.7
JAL SALES CO., LTD.		460	100.0	—	100.0
JAL NAVIA CO., LTD.		50	100.0	—	100.0
JAL MILEAGE BANK CO., LTD.		40	100.0	—	100.0
JAL JTA SALES CO., LTD.		30	16.7	83.3	100.0
Other (Other)					
JAL INFORMATION TECHNOLOGY CO., LTD.		702	100.0	—	100.0
AXESS INTERNATIONAL NETWORK, INC.		700	100.0	—	100.0
JAL AEROPARTS CO., LTD.		490	100.0	—	100.0
JALCARD, INC.		360	50.6	—	50.6
JAL FACILITIES CO., LTD.		180	85.0	—	85.0
JAL BRAND COMMUNICATIONS CO., LTD.		100	100.0	—	100.0
JTA INFORMATION & COMMUNICATION CO., LTD.		50	—	100.0	100.0
JAL SUNLIGHT CO., LTD.		20	100.0	—	100.0
OFFICIAL FILING CO., LTD.		10	50.0	4.0	54.0
Other (Airport-Related Services)					
JAL HAWAII, INC.	USD 1,000	100	—	100.0	100.0
Other (Cargo)					
JUPITER GLOBAL LTD.	HKD 1,000	1,960	46.4	4.6	51.0
Other (Passenger Sales)					
JAL PASSENGER SERVICES AMERICA INC.	USD 1,000	205	—	100.0	100.0
JALPAK INTERNATIONAL HAWAII, INC.	USD 1,000	1,000	—	100.0	100.0
JALPAK INTERNATIONAL (CHINA) CO., LTD.	USD 1,000	600	—	100.0	100.0
JALPAK INTERNATIONAL (EUROPE) B.V.	EUR 1,000	1,600	—	100.0	100.0
JALPAK INTERNATIONAL (FRANCE) S.A.S.	EUR 1,000	160	—	100.0	100.0
JALPAK INTERNATIONAL (GERMANY) GMBH	EUR 1,000	102	—	100.0	100.0
EURO-CREATIVE TOURS (U.K.) LTD.	GBP 1,000	100	—	100.0	100.0
JALPAK INTERNATIONAL ASIA PTE. LTD.	SGD 1,000	146	—	100.0	100.0
JAL SATELLITE TRAVEL CO., LTD.	HKD 1,000	750	—	100.0	100.0
Other (Other)					
PACIFIC INVESTMENT HOLDINGS CORP.	USD 1,000	59,701	100.0	—	100.0
JLC INSURANCE CO., LTD.	USD 1,000	2,000	100.0	—	100.0
PACIFIC BUSINESS BASE, INC.	USD	400	100.0	—	100.0
JAPAN AIRLINES MANAGEMENT CORP.	USD	93	—	100.0	100.0

* Operating revenue (excluding operating revenue between consolidated subsidiaries) of JALPAK CO., LTD. accounts for over 10% of consolidated operating revenue.

International Routes

As of July 1, 2013



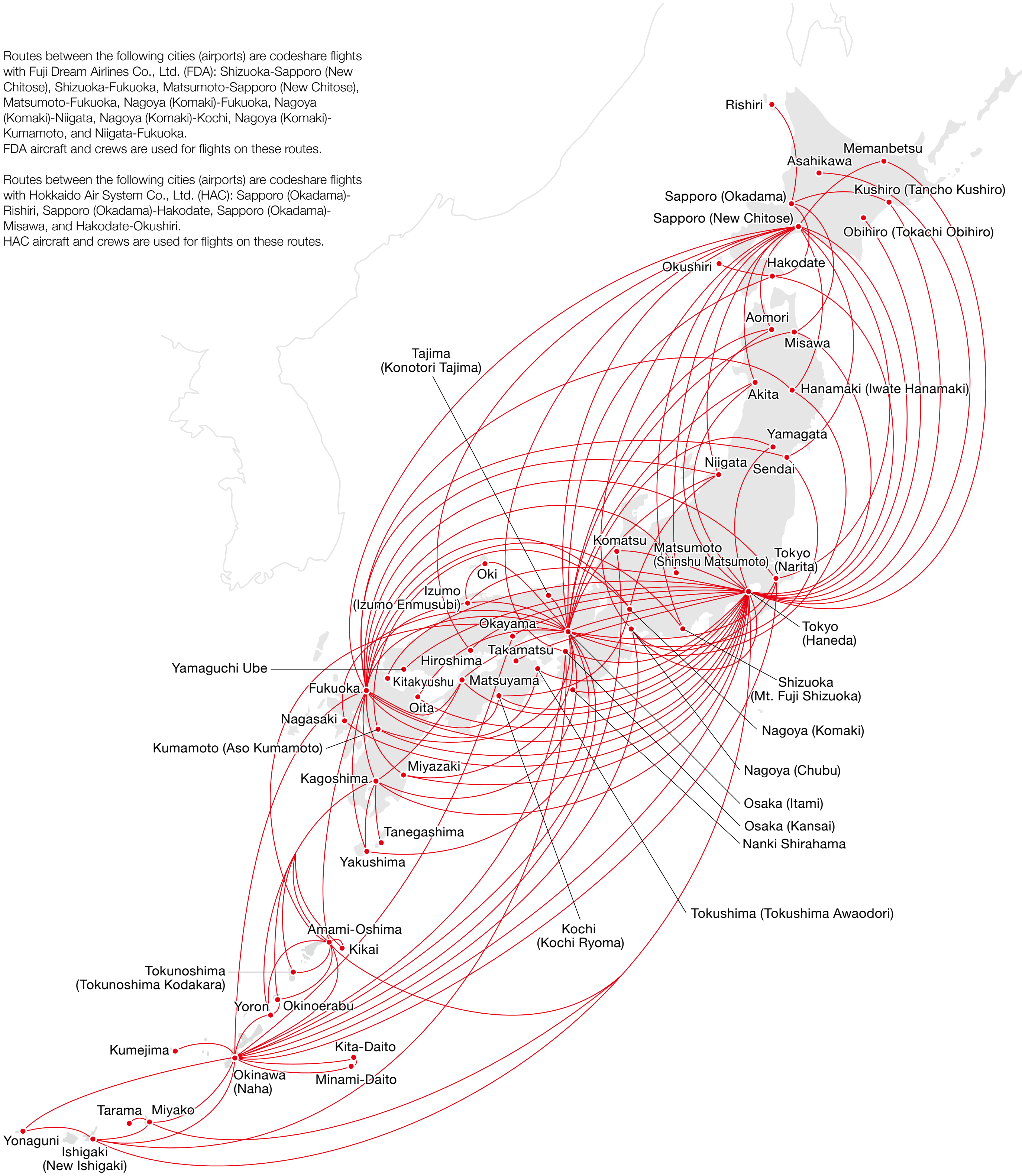
- The routes above include codeshare flights (as of July 1, 2013).
- To highlight the cities on JAL's route network, continents on the map above have been expanded and may appear deformed or distorted.


Yellowknife
Whitehorse
Edmonton
Calgary
Kelowna
Vancouver
Minneapolis
Madison
Winnipeg
Salt Lake City
Toledo
Detroit
Toronto
Cleveland
Buffalo
Ottawa
Rochester
Montreal
Burlington
Grand Rapids
Milwaukee
Kalamazoo
Syracuse
Columbus
Portland
Pittsburgh
Boston
Hartford
New York
Philadelphia
Harrisburg
Baltimore
Dayton
Washington
Lexington
Richmond
Norfolk
Indianapolis
Cincinnati
Raleigh/Durham
Charlotte
Atlanta
Chicago
Omaha
Peoria
Des Moines
Bloomington
Kansas City
St. Louis
Louisville
Knoxville
Oklahoma City
Nashville
Memphis
Evansville
Huntsville
Fayetteville
Jacksonville
Dallas
New Orleans
Orlando
Tampa
West Palm Beach
Fort Lauderdale
Miami
Houston
Austin
San Antonio
Monterrey
Cancun
Denver
Wichita
Tulsa
Las Vegas
Albuquerque
El Paso
Reno
Sacramento
San Francisco
San Jose
Fresno
Santa Barbara
Los Angeles
San Diego
Phoenix
Tucson
Honolulu
Guadalajara
Mexico City
Fort Myers
Sarasota
San Juan
Birmingham
Papeete
Lima
Sao Paulo
Rio de Janeiro
Santiago

Domestic Routes

As of July 1, 2013

- Routes between the following cities (airports) are codeshare flights with Fuji Dream Airlines Co., Ltd. (FDA): Shizuoka-Sapporo (New Chitose), Shizuoka-Fukuoka, Matsumoto-Sapporo (New Chitose), Matsumoto-Fukuoka, Nagoya (Komaki)-Fukuoka, Nagoya (Komaki)-Niigata, Nagoya (Komaki)-Kochi, Nagoya (Komaki)-Kumamoto, and Niigata-Fukuoka.
  FDA aircraft and crews are used for flights on these routes.
- Routes between the following cities (airports) are codeshare flights with Hokkaido Air System Co., Ltd. (HAC): Sapporo (Okadama)-Rishiri, Sapporo (Okadama)-Hakodate, Sapporo (Okadama)-Misawa, and Hakodate-Okushiri.
  HAC aircraft and crews are used for flights on these routes.



Shareholder Information

Fiscal Year	From April 1 through March 31 of the following year
General Meeting of Shareholders	Within 3 months after March 31
Record Date	March 31
Record Date for Dividend Payment	March 31
Trading Unit	100 shares
Repurchase of Odd-lot Shares	
• Location of Handling Office	Mitsubishi UFJ Trust and Banking Corporation, Stock Transfer Agency Division 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
• Administrator of Shareholder Registry:	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
• Intermediary Offices	—
• Negotiating Commission	Free of charge

Method of Public Notice

The Company will publish notices electronically. If by accident or other unavoidable circumstance the Company is unable to publish a public notice electronically, it will publish the notice in the *Nihon Keizai Shimbun*, issued in the Tokyo area.

Restrictions on the Entry or Recording of Foreign Entities in the Shareholder Registry, Payment of Dividends

In relation to Article 120-2 of the Civil Aeronautics Act, the Company has included the following provisions in its Articles of Incorporation.

Article 12 In the event that complying with a request by any of the entities listed below to enter or record their name and address in the Company's shareholder registry would result in the total voting rights held by the below entities to exceed one third of the Company's voting rights, the Company shall refuse to enter or record the name or address in the shareholder registry.
(1) Non-Japanese nationals
(2) Foreign public organizations and similar establishments in foreign states
(3) Juridical persons and other organizations established in accordance with foreign laws

2. With respect to shareholders notified by the Book Entry Transfer Institution under the Law Concerning Book-Entry Transfer of Corporate Bonds, Shares, etc., Article 151-1 or Article 151-8, in the event that entering or recording the entire shareholdings of entities listed above would result in the total voting rights held by these entities to exceed one third of the Company's voting rights, the Company shall enter or record a portion of the shares in the shareholder registry in accordance with procedures for entering and recording information in the shareholder registry as designated by the Ministry of Land, Infrastructure, Transport and Tourism in order to ensure that the total voting rights held by the above entities does not exceed one third of the Company's voting rights.

(Payment of Dividends)
Article 45 Dividend payments will be made to the following entities:
(1) Shareholders or registered pledgees whose shares have been entered or recorded in the final shareholder register as of March 31 of the relevant year;
(2) Among the shareholders notified by the Book Entry Transfer Institution as of March 31 each year under the Law Concerning Book-Entry Transfer of Corporate Bonds, Shares, etc., Article 151-1, a shareholder or relevant pledgee designated in the above notification whose shares, in part or in their entirety, were not entered or recorded in the shareholder registry in accordance with the provision in Article 12-2 of the Company's Articles of Incorporation.

(Supplementary Provision)
Article 1 The revised Article 45 (Payment of Dividends) shall be applied starting with year-end dividends for FY2013 (ending March 31, 2014) and shall not be applied to year-end dividends for FY2012 and the preceding fiscal years.

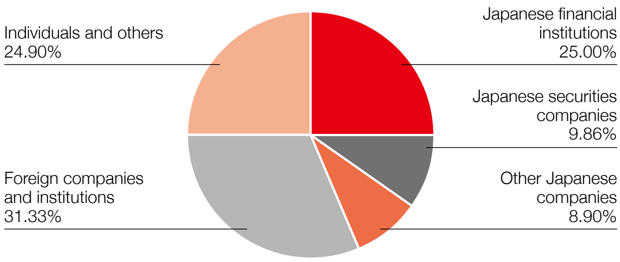
(As of March 31, 2013)

Aggregate Number of Shares Issuable	400,000,000 shares*
Aggregate Number of Shares Issued and Outstanding (Common Stock)	181,352,000 shares
Number of Shareholders	99,616
Stock Listing	Tokyo Stock Exchange (First Section)

* Includes common stock (350,000,000 shares) and Class 1 to Class 4 preferred stock (12,500,000 shares each).

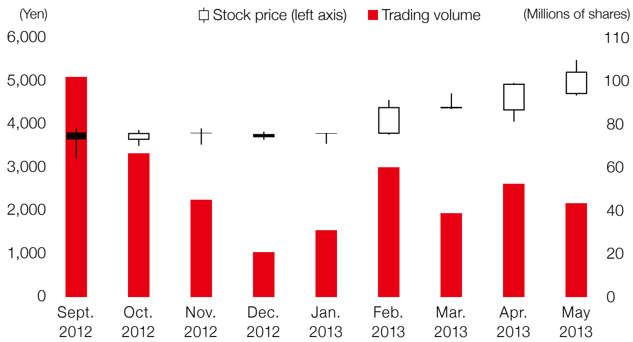
Breakdown of Shareholders

(As of March 31, 2013)



Notes:
1. The ratios shown above represent the proportion to total shares issued and outstanding.
2. Figures for "Individuals and others" include 10,900,020 shares the Company refused to enter or record in the shareholder registry (shares adjusted for foreign ownership) under the Civil Aeronautics Act and Articles of Incorporation.

Stock Price and Trading Volume



Major Shareholders (As of March 31, 2013)

(As of March 31, 2013)

	Number of Shares Held	Ratio of Shareholding (%)
The Master Trust Bank of Japan, Ltd. (trust account)	10,141,000	5.59
Japan Trustee Services Bank, Ltd. (trust account)	9,374,200	5.16
Japan Trustee Services Bank, Ltd. (trust account 9)	6,808,600	3.75
State Street Bank and Trust Co. (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	5,023,900	2.77
SMBC Nikko Securities Inc.	4,319,100	2.38
MSCO Customer Securities (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	4,187,400	2.30
Mizuho Securities Co., Ltd.	3,843,300	2.11
Kyocera Corp.	3,819,200	2.10
Goldman, Sachs & Co., REG (Standing proxy: Goldman Sachs Securities Japan)	2,733,600	1.50
Morgan Stanley & Co., LLC. (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	2,726,300	1.50

Disclaimer
Unless specifically dealing with matters of historical fact, the plans, forecasts and strategies described in this document represent estimates of future results based on the information available at the time of writing, but are inherently subject to risks and uncertainties. These risks and uncertainties may result in divergence between actual results and the forecasts and estimates contained herein. Risks and uncertainties include but are not limited to market risks, rising fuel costs, changes in the exchange rate between the Japanese yen and the US dollar and other currencies, acts of terrorism and war, contagion, and other risks inherent in the airline business. Information contained herein regarding companies, etc., other than JAL and members of the JAL Group is quoted from public sources, etc., but we have not verified and do not guarantee the accuracy or appropriateness of this information.

Executive Officers

Members of the Board of Directors

External Director
Tatsuo KAINAKA

Director, Senior Managing Executive Officer
Junko OKAWA

Director, Senior Managing Executive Officer
Hirohide KAMIKAWA

Director, Senior Managing Executive Officer
Nobuhiro SATO

External Director
Kimie IWATA

Representative Director, Chairman
Masaru ONISHI

Representative Director, President
Yoshiharu UEKI

Members of the Board of Directors

Representative Director, Chairman	Masaru ONISHI	Chairman of the Board of Directors, Safety General Manager
Representative Director, President	Yoshiharu UEKI	Chairman of the Board of Managing Executive Officers, Chairman of the Council for Safety Enhancement, Chairman of the JAL Philosophy Committee, Chairman of the CSR Committee
Director, Senior Managing Executive Officer	Hirohide KAMIKAWA	General Manager, Managing Division Passenger Sales, Domestic Passenger Sales President of JAL Sales
Director, Senior Managing Executive Officer	Nobuhiro SATO	Engineering & Maintenance, President of JAL Engineering
Director, Senior Managing Executive Officer	Junko OKAWA	Cabin Attendants
External Director	Tatsuo KAINAKA	
External Director	Kimie IWATA	

Auditors

Audit & Supervisory Board Member	Hisao TAGUCHI
Audit & Supervisory Board Member	Yasushi SUZUKA
External Audit & Supervisory Board Member	Eiji KATAYAMA
External Audit & Supervisory Board Member	Hiroyuki KUMASAKA
External Audit & Supervisory Board Member	Shinji HATTA

Executive Officers

Senior Managing Executive Officer	Tadashi FUJITA	Deputy General Manager, Managing Division Passenger Sales, International Passenger Sales, Web Sales, Senior Vice President, Eastern Japan
Senior Managing Executive Officer	Hideki KIKUYAMA	Managing Division Route Marketing
Managing Executive Officer	Shigemi KURUSU	Group Companies Support
Managing Executive Officer	Norikazu SAITO	Finance & Accounting
Managing Executive Officer	Toshiaki NORITA	Corporate Planning, Business Creation Strategy
Managing Executive Officer	Toshinori SHIN	Flight Operations
Managing Executive Officer	Makoto YONEYAMA	Corporate Control
Managing Executive Officer	Nobuyoshi GONDO	Corporate Safety & Security
Executive Officer	Tsutomu ANDO	Managing Division Route Marketing (International Relations and Alliances)
Executive Officer	Tsuyoshi YAMAMURA	Cargo & Mail
Executive Officer	Kiyoshi MARUKAWA	Airport Operations
Executive Officer	Akira YONEZAWA	Managing Division Route Marketing (International Route Marketing)
Executive Officer	Toshiki OKA	Purchasing
Executive Officer	Kiyoshi ISHIZEKI	IT Planning
Executive Officer	Jun KATO	Managing Division Route Marketing (Marketing & Branding)
Executive Officer	Hiroyuki HIOKA	General Affairs
Executive Officer	Tadao NISHIO	Managing Division Route Marketing (Domestic Route Marketing)
Executive Officer	Shinichiro SHIMIZU	Human Resources
Executive Officer	Hidetsugu UEDA	Human Resources, in charge of Education, Vice President, Human Resources Management
Executive Officer	Manabu SATO	President of Japan Transocean Air
Executive Officer	Ryuzo TOYOSHIMA	President of JAL EXPRESS
Executive Officer	Tetsuya ONUKI	President of J-AIR
Executive Officer	Arata YASUJIMA	President of Japan Air Commuter
Executive Officer	Takahiro KATO	Senior Vice President, Western Japan
Executive Officer	Toshio SHINOHARA	President of JAL Sky, Vice President, Haneda Airport
Executive Officer	Munemitsu ERIKAWA	Senior Vice President, China, Vice President and Regional Manager, Beijing, District Sales Manager, Beijing

JAPAN AIRLINES

Japan Airlines Co., Ltd.
Finance Department and CSR Group, General Affairs Department

Nomura Real Estate Bldg., 2-4-11 Higashi-Shinagawa,
Shinagawa-ku, Tokyo 140-8637, Japan
TEL: +81-3-5460-3068 (Finance Department) +81-3-5460-6837 (General Affairs Department)

Corporate Website: www.jal.com
Corporate Information: http://www.jal.com/en/outline/corporate/
CSR Information: http://www.jal.com/en/csr/
Investor Relations: http://www.jal.com/ja/investor/

チャレンジ25
未来が変わる。
日本が変える。